

**LOCAL AGENCY FORMATION COMMISSION OF
ORANGE COUNTY**

REGULAR MEETING AGENDA

**Wednesday, January 8, 2025
8:15 a.m.**

**County Administrative North (CAN)
First Floor Multipurpose Room 101
400 W. Civic Center Drive, Santa Ana, CA 92701**

Any member of the public may request to speak on any agenda item at the time the Commission is considering the item.

1. CALL THE MEETING TO ORDER

2. PLEDGE OF ALLEGIANCE

3. COMMISSION APPOINTMENT

The Commission will receive a report on the recent appointment to the Commission, and the Oath of Office will be administered for the respective term.

4. ROLL CALL

5. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION

(Communications received after agenda distribution for agendized items.)

6. PUBLIC COMMENT

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken by the Commission on off-agenda items unless authorized by law.

7. CONSENT CALENDAR

a.) November 13, 2024 – Regular Commission Meeting Minutes

The Commission will consider approval of the November 13, 2024 meeting minutes.

b.) Appointment Processes for OC LAFCO Expiring Terms and Vacancies

The Commission will receive a report on the appointment processes for the member seat with an expiring term in 2025 or current vacancies.

c.) Fiscal Year 2024-25 Quarterly Financial Report (*Second Quarter*)

The Commission will receive the second quarter financial report for Fiscal Year 2024-25.

8. PUBLIC HEARING

No public hearing items scheduled.

9. COMMISSION DISCUSSION AND ACTION

a.) OC LAFCO Professional Services Agreement Update and One-Year Extension of Agreement with Davis Farr LLP

The Commission will receive the annual update on the current professional services agreements and consider a one-year extension of the agreement with Davis Farr LLP for auditing services.

b.) Fiscal Year 2023-24 OC LAFCO Audited Financial Statements

The Commission will receive a presentation from the independent auditor, Davis Farr LLP, on the agency's audited financial statements for the fiscal year ending June 30, 2024.

c.) Fiscal Year 2024-25 Mid-Year Work Plan Update

The Commission will receive a report on the status of goals, objectives, and other projects of the agency's 2022-2025 Work Plan.

d.) Agreement with Kelly Associates Management Group for an Employee Classification and Compensation Assessment

The Commission will consider approval of a professional services contract with Kelly Associates Management Group LLC to perform an employee classification and compensation assessment.

e.) Appointment of 2025 OC LAFCO Officers

The Commission will conduct appointments of the Commission Chair and Vice Chair for 2025.

10. COMMISSIONER COMMENTS

This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission. No discussion or action may occur or be taken except to place the item on a future agenda if approved by the Commission majority.

11. EXECUTIVE OFFICER’S REPORT

Executive Officer’s announcement of upcoming events and brief report on activities of the Executive Officer since the last meeting.

12. INFORMATIONAL ITEMS & ANNOUNCEMENTS

There are no informational items or announcements.

13. CLOSED SESSION

No closed session items scheduled.

14. ADJOURNMENT OF REGULAR COMMISSION MEETING

The next Regular Commission Meeting will be held on Wednesday, February 14, 2025 at 8:15 a.m. at the County Administrative North (CAN), First Floor Multipurpose Room 101, 400 W. Civic Center Drive, Santa Ana, CA 92701.

PUBLIC PARTICIPATION:

The Local Agency Formation Commission of Orange County welcomes your participation. The public may share general comments or comments on agenda items through the following options:

- 1) **In-person** comments may be provided during the general comment period on off-agenda items and during the hearing of a specific agenda item. In accordance with the OC LAFCO guidelines, each speaker's comments may not exceed three (3) minutes for the respective item. If you have documents for the Commission, please bring 15 copies and submit to the Commission Clerk for distribution.
- 2) **Written** general comments or comments on specific agenda items may be submitted by email to the Commission Clerk at ccarter-benjamin@oclafco.org. Comments received no less than twenty-four (24) hours prior to the regular meeting will be distributed to the Commission and included in the record.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the OC LAFCO website at www.oclafco.org.

State law requires that a participant in an OC LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.

AMERICANS WITH DISABILITIES ACT (ADA)

All regular meeting agendas and associated reports are available at www.oclafco.org. Any person with a disability under the Americans with Disabilities Act (ADA) may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with OC LAFCO staff at (714) 640-5100 at least three business days prior to the respective meeting.

2025 MEETING AND EVENTS CALENDAR

Approved November 14, 2024

2025



January							April							July							October						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4			1	2	3	4	5			1	2	3	4	5				1	2	3	4
5	6	7	8	9	10	11	6	7	8	9	10	11	12	6	7	8	9	10	11	12	5	6	7	8	9	10	11
12	13	14	15	16	17	18	13	14	15	16	17	18	19	13	14	15	16	17	18	19	12	13	14	15	16	17	18
19	20	21	22	23	24	25	20	21	22	23	24	25	26	20	21	22	23	24	25	26	19	20	21	22	23	24	25
26	27	28	29	30	31		27	28	29	30				27	28	29	30	31			26	27	28	29	30	31	

February							May							August							November						
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2	3	4	5	6	7	8	4	5	6	7	8	9	10	3	4	5	6	7	8	9	2	3	4	5	6	7	8
9	10	11	12	13	14	15	11	12	13	14	15	16	17	10	11	12	13	14	15	16	9	10	11	12	13	14	15
16	17	18	19	20	21	22	18	19	20	21	22	23	24	17	18	19	20	21	22	23	16	17	18	19	20	21	22
23	24	25	26	27	28		25	26	27	28	29	30	31	24	25	26	27	28	29	30	23	24	25	26	27	28	29
														31							30						

March							June							September							December						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1	1	2	3	4	5	6	7		1	2	3	4	5	6		1	2	3	4	5	6
2	3	4	5	6	7	8	8	9	10	11	12	13	14	7	8	9	10	11	12	13	7	8	9	10	11	12	13
9	10	11	12	13	14	15	15	16	17	18	19	20	21	14	15	16	17	18	19	20	14	15	16	17	18	19	20
16	17	18	19	20	21	22	22	23	24	25	26	27	28	21	22	23	24	25	26	27	21	22	23	24	25	26	27
23	24	25	26	27	28	29	29	30						28	29	30					28	29	30	31			
30	31																										

- OC LAFCO Regular Meeting (*begins at 8:15 a.m.*)
Location: County Administrative North, First Floor Multipurpose Room 101, 400 W. Civic Center Dr., Santa Ana, CA 92701.
- No Scheduled Regular Meeting.
- Strategic Planning Workshop (9:00 a.m. to 1:00 p.m.)
Location: To be determined.
- Office closure due to legal holidays and flexible work schedule.
- 2025 CALAFCO Annual Conference - October 22 - 24, San Diego, CA.

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Peggy Huang
City Member

Derek J. McGregor
Public Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: January 8, 2025

3 | Commission
Appointment

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

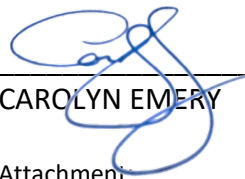
SUBJECT: Commission Appointment

The City Selection Committee completed the following appointment to the OC LAFCO Regular City Member seat:

Peggy Huang, City of Yorba Linda
Term of Office: July 1, 2022 – June 30, 2026

The Oath of Office for the above appointment will be administered at the January 8 Regular Commission Meeting. Attached for reference is the **OC LAFCO Terms of Office** as of January 1, 2025.

Respectfully submitted,



CAROLYN EMERY

Attachment:

1. OC LAFCO Terms of Office (Upd: January 2025)

**LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY**

Commissioners' Terms of Office

Updated: January 2025

Pursuant to Government Code Section 56334, the expiration date of the term of office of each member of the Commission is June 30th in the year in which the member's term expires.

Commissioners	Original Date Appointed to OC LAFCO	Current Term	Appointing Authority
Regular Members			
Donald P. Wagner , Chair County Member	2019	2022–2026	Board of Supervisors
Wendy Bucknum , Vice Chair City Member	2015	2024–2028	City Selection Committee
Douglass Davert , Special District Member Immediate Past Chair	2018	2022–2026	Independent Special District Selection Committee
James Fisler , Special District Member	2011	2024–2028	Independent Special District Selection Committee
Peggy Huang , City Member ¹	2025	2022–2026	City Selection Committee
Derek J. McGregor , Public Member	2009	2022–2026	Commission
VACANT , County Member ²	2022	2023–2027	County Board of Supervisors
Alternate Members			
Kathryn Freshley , Special District Member	2019	2022–2026	Independent Special District Selection Committee
Carol Moore , City Member	2023	2024–2028	City Selection Committee
Lou Penrose , Public Member	2017	2021–2025	Commission
VACANT , County Member ²	2023	2023–2027	County Board of Supervisors

¹ Appointed to complete an unexpired term ending June 30,2026.

² Appointment will be for an unexpired term ending June 30,2027.

DRAFT MINUTES

OC LAFCO REGULAR MEETING

Wednesday, November 13, 2024
8:15 a.m.

County Administrative North (CAN)
First Floor Multipurpose Room 101
400 W. Civic Center Drive, Santa Ana, CA 92701

1. CALL TO ORDER

Chair Wagner called the meeting of the Local Agency Formation Commission of Orange County (OC LAFCO) to order at 8:15 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Moore led the Pledge of Allegiance.

3. ROLL CALL

The following Commissioners were present:

City Members

Bruce Whitaker
Carol Moore **(Alt.)**

County Member

Donald P. Wagner **(Chair)**

Special District Members

Douglas Davert
James Fisler

Public Members

Derek J. McGregor
Lou Penrose **(Alt.)**

The Commission Clerk noted that Commissioner Moore would be a voting member for the regular meeting.

The following staff members and general counsel were present:

- Executive Officer Carolyn Emery
- Assistant Executive Officer Luis Tapia
- Policy Analyst II Gavin Centeno
- Policy Analyst I Aimee Diaz
- Commission Clerk Cheryl Carter-Benjamin
- General Counsel Scott Smith

**4. ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATION
(Received After Agenda Distribution)**

The Commission Clerk noted that no supplemental communication was received.

5. PUBLIC COMMENT

Chair Wagner requested public comments on any non-agenda items. The Commission Clerk noted that there were no requests to speak from the public.

Chair Wagner closed the hearing of public comments.

6. CONSENT CALENDAR

Chair Wagner called for requests to pull any of the consent calendar items for discussion. **Commissioner Davert** requested agenda item 6b be pulled. **Chair Wagner** called for a motion on the approval of the balance of the consent calendar, and there were no requests from the public to speak on the item. **Commissioner McGregor** motioned for approval of the balance of the consent calendar, and **Chair Wagner** seconded the motion.

6a. – October 9, 2024 - Regular Commission Meeting Minutes

MOTION: Approve Consent Calendar Item 6a. (Derek J. McGregor)
SECOND: Donald P. Wagner
FOR: Derek J. McGregor, Donald P. Wagner, Douglass Davert,
James Fisler, Carol Moore, Bruce Whitaker
AGAINST: None
ABSTAIN: None

MOTION PASSED: 6-0.

Chair Wagner noted the item pulled by **Commissioner Davert** and opened it for discussion by the Commission. **Commissioner Davert** provided general comments on the meeting and events calendar and noted that the scheduled meeting date for the Strategic Planning Workshop on April 18, 2025, is Good Friday. The Executive Officer recommended April 4 or April 11 as alternative meeting dates for the workshop. There was no further discussion from Commissioners, and the Commission Clerk noted that there were no requests from the public to speak on the item. **Commissioner Davert** motioned for approval of agenda item 6b with the recommended date of April 4, 2025 for the Strategic Planning Workshop and **Commissioner Fisler** seconded the motion.

6b. – 2025 Meeting and Events Calendar

MOTION: Approve the 2025 Meeting and Events Calendar with recommended change in date for the Strategic Planning Workshop to April 4. (Douglass Davert)
SECOND: James Fisler
FOR: Douglass Davert, James Fisler, Derek J. McGregor, Carol Moore, Bruce Whitaker, Donald P. Wagner
AGAINST: None
ABSTAIN: None

MOTION PASSED: 6-0.

7. PUBLIC HEARING

Chair Wagner noted that there were no public hearing items scheduled for consideration by the Commission.

8. COMMISSION DISCUSSION AND ACTION

8a. – OCERS FY 2025-26 Contribution Rates and Annual Audit

Assistant Executive Officer Luis Tapia presented the staff report and recommended action for Commission consideration.

Chair Wagner called for Commission discussion and public comments. There was no noted discussion from Commissioners, and the Commission Clerk noted that there were no requests from the public to speak on the item. **Chair Wagner** called for a motion on the item. **Commissioner Davert** motioned to approve the staff recommended action, and **Commissioner Whitaker** seconded the motion.

MOTION: Adopt Resolution No. CP 24-07 approving the contribution rates adopted by OCERS for Fiscal Year 2025-26 and establishing the Employer Pick Up for the 2.7% @ 55 Plan. (Douglass Davert)
SECOND: Bruce Whitaker
FOR: Douglass Davert, Bruce Whitaker, James Fisler, Derek J. McGregor, Carol Moore, Donald P. Wagner
AGAINST: None
ABSTAIN: None

MOTION PASSED: 6-0.

8b. – Updated to California Levine Act

General Counsel Scott Smith presented the staff report and recommended action for Commission consideration.

Chair Wagner called for Commission discussion and public comments. Commissioners made general comments, and the Commission Clerk noted that there were no requests from the public to speak on the item. **Chair Wagner** noted this is a receive and file report and requires no action by the Commission.

8c. – Cancellation of December 2024 Regular Meeting

Executive Officer Carolyn Emery noted that there were no actionable items for the Commission's consideration for December and recommended the cancellation of the scheduled December 11, 2024, regular meeting. There was no noted discussion from Commissioners. **Chair Wagner** motioned for the cancelation of the December 11, 2024 regular meeting and **Commissioner Davert** seconded the motion.

MOTION: Cancellation of December 11, 2024 Regular Meeting. (Donald P. Wagner)
SECOND: Douglass Davert
FOR: Donald P. Wagner, Douglass Davert, James Fisler,
Derek J. McGregor, Carol Moore, Bruce Whitaker
AGAINST: None
ABSTAIN: None

MOTION PASSED: 6-0.

9. COMMISSIONER COMMENTS

Commissioners made general comments, and **Commissioner McGregor** provided a CALAFCO update noting the recent correspondence provided by Executive Officer Carolyn Emery to the Commissioners in the form of a letter that was submitted to CALAFCO. He indicated that the letter expresses concerns with CALAFCO's effectiveness and leadership. Commissioner McGregor noted that the CALAFCO Board is scheduled to meet on January 10, 2025.

10. EXECUTIVE OFFICER'S REPORT

Executive Officer Carolyn Emery provided an update on the OCWD MSR and stated that the public review draft would be released during the week for a 45-day public review and comment period. She also noted the final MSR draft is anticipated for public hearing during the Commission's regular meeting in February 2025. Ms. Emery provided an update on the ongoing discussion between LAFCO and County staff regarding teleconferencing capabilities that may be available next year for Commission regular meetings. Ms. Emery also provided a summary of the content of the letter sent to CALAFCO regarding OC LAFCO's key concerns

about the organization. Lastly, Ms. Emery noted that the City Selection Committee is scheduled to meet on November 14, and an item on the agenda is the appointment of the OC LAFCO Regular City Member seat.

11. INFORMATIONAL ITEMS & ANNOUNCEMENTS

Chair Wagner noted that there were no informational items or announcements.

12. CLOSED SESSION

Chair Wagner and general counsel noted that there were no closed session items scheduled for discussion by the Commission.

13. ADJOURNMENT OF THE REGULAR COMMISSION MEETING

Chair Wagner adjourned the Regular Commission Meeting at 8:23 a.m. to January 8, 2025.

Donald P. Wagner, Chair
Orange County Local Agency Formation Commission

ATTEST:

By: _____
Cheryl Carter-Benjamin
Commission Clerk

REGULAR MEMBERS

CHAIR

Donald P. Wagner
County Member

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Wendy Bucknum
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IMMEDIATE PAST CHAIR

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Lou Penrose

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VACANT

County Member

STAFF

Carolyn Emery

Executive Officer

Scott Smith

General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer
Office Manager/Commission Clerk

SUBJECT: Appointment Processes for OC LAFCO Expiring
Terms and Vacancies

BACKGROUND

In accordance with Government Code Section 56334, the term of office for each OC LAFCO Commissioner shall be four years, and there are no term limits. Pursuant to the OC LAFCO Bylaws, the term of office for each Commissioner begins on July 1st of the year appointed and expires on June 30th of the final year of the term.

The following are summaries of the appointment processes conducted by the appointing authorities for each of the OC LAFCO seats and information on an expiring term and current vacancies involving the alternative public member and county member seats.

County Member Seats

County member seats are appointed annually at the discretion of the Chair of the Board of Supervisors (BOS) with final approval by the County BOS and are expected to be completed by February 2025. County members appointed to the currently vacant seats will be administered the Oath of Office during the following Regular Commission Meeting or electronically.

City Member Seats

The City Selection Committee (comprised of 34 Orange County City Mayors) is responsible for appointing the Regular and Alternate City Members to OC LAFCO. When a term is expiring or a vacancy exists, the process is conducted by the Orange County Clerk of the Board (COB) during a committee meeting which occurs in May and November each year. Commission staff provides notification of OC LAFCO expiring terms and vacancies in advance to the COB. Notification to the COB satisfies the Commission's responsibility with respect to this process. There are no expected vacancies for 2025.

Special District Member Seats

OC LAFCO staff has a more prominent role in the appointment process for Special District Members in accordance with Government Code Section 56332 and the Special Districts Selection Committee By-Laws. There are no expected vacancies for 2025.

Public Member Seats

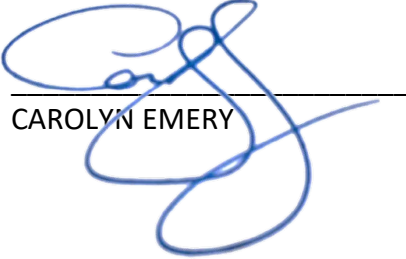
The appointment process for the Public Member seat is conducted by the Commission. In accordance with the Commission’s policy for the appointment of public members, upon the direction of the Chair, a special notice advertising the position and soliciting resumes from interested candidates is prepared and distributed. The Commission’s Executive Committee screens all applications and selects finalists to interview with the full Commission. Additionally, any Commissioner may also nominate a candidate from the applications submitted for an interview with the full Commission. A schedule of key appointment events and responsibilities for the Alternate Public Member seat expiring June 30, 2025 is outlined below. The Alternate Public Member appointed through this process will be administered the Oath of Office and seated at the July 9, 2025 Regular Commission meeting.

<i>Appointment Process Schedule for OC LAFCO Alternate Public Member Seat</i>	
ACTION	DATE
Announcement of Alternate Public Member Seat upcoming vacancy distributed to city clerks, special district secretaries, clerk of the BOS, OC libraries and published in the <i>OC Register</i> .	April 7, 2025
Application submittal period for Alternate Public Member Seat upcoming vacancy.	April 7, 2025 – May 8, 2025
Application Screening Process conducted by the Commission’s Executive Committee.	May 12, 2025 – May 20, 2025
Commission interviews and appointment of Alternate Public Member.	June 11, 2025
Oath of Office Administered (Commission Hearing).	July 9, 2025

RECOMMENDED ACTION

This is a receive and file report and requires no action by the Commission.

Respectfully submitted,



CAROLYN EMERY



CHERYL CARTER-BENJAMIN

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
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Special District Member

James Fisler
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STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Assistant Executive Officer

SUBJECT: Fiscal Year 2024-2025 Quarterly Financial Report
(*Second Quarter*)

The attached quarterly financial report provides an assessment of the agency’s budget and investment portfolio for the period of October 1, 2024 through December 31, 2024. Upon review by the Commission, the quarterly reports are published on the transparency page of the agency’s website. The next review on the agency’s financial status will be presented in April 2025.

RECOMMENDED ACT

Staff recommends the Commission:

1. Receive and file the Fiscal Year 2024-2025 Quarterly Financial Report (*Second Quarter*).

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. Fiscal Year 2024-2025 Quarterly Financial Report (Second Quarter)



Quarterly Financial Report

Fiscal Year 2024-25 (Second Quarter)

Prepared: January 8, 2025

HIGHLIGHTS:

FY 2024-25 Budget Overview – Pages 2-4

Balance Sheet & Reserves Analysis – Pages 5-6

FY 2024-25 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of October 1, 2024 through December 31, 2024.¹ The Fiscal Year 2024-25 budget of approximately \$1.86 million supports the operations of the Commission and the resources needed to accomplish the work plan. During the second quarter, overall expenditures were at approximately 38.8 percent of the approved budget.

Revenues

The OC LAFCO funding apportionment collected from the County, 34 cities and 27 special districts totaling \$1,581,320 was at 100 percent at the end of second quarter. The agency also earns interest from its investment portfolio. At the end of the second quarter, the agency earned approximately \$12,792 in interest, representing 33.3 percent of the fiscal year expected earnings with the remaining six months of earnings still expected.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with the processing of the respective applications. The Special Fund column in the chart on page 4 displays a year-to-date accounting of fees totaling \$39,903 that remains on deposit with the Commission for continued processing of the Orange County Water District MSR. The initial deposit for this application was made during a prior fiscal year, and no new application fees were deposited with OC LAFCO during the second quarter of the fiscal year 2024-25.

Expenditures

The General Fund expenditures as of December 31, 2024, are below the second quarter target level totaling \$721,878 or 38.8 percent of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year.²

Total Funds Used				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	17%	39%	-	-

Most expenditures during the second quarter are within target levels with approximately 68 percent of the year-to-date expenses attributed to salaries and benefits. The remaining 32 percent of costs paid through the end of December 2024 were for the agency's operational costs, such as the office lease, legal, audit, and accounting services. Budget trending and projections six months into the current fiscal cycle indicate overall balancing of the budget at the end of FY 2024-25. However, this does not consider any unanticipated occurrences.

¹ All financial statements contained in this report are on an accrual accounting basis.

² Actual expenditures for the quarterly reporting are unaudited and subject to change.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of December 31, 2024:

As of 12/31/24	Balance
770-Payroll Account	\$384,353
Wells Fargo Checking	\$234,363
Wells Fargo Savings	<u>\$217,751</u>
Total	\$836,467

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses. Additionally, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The current balance of the Trust account at the end of the second quarter is \$81,651. The Trust has experienced two deposits totaling \$77,000 and a current gain of \$4,651 since being established by the Commission in 2021. In accordance with the Commission's investment policy, deposits are made to the Trust following the annual audit. Following the completion of the agency audit in January, staff will be meeting with the OC LAFCO accounting team to identify if a transfer to the trust will be completed during this fiscal cycle.

The following table illustrates the balance of OC LAFCO's investment portfolio as of December 31, 2024.

As of 12/31/24	Balance
LAIF	\$729,843
OC Fund	\$303,422
PARS Trust	<u>\$ 81,651</u>
Total	\$1,114,916

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
October 1, 2024 – December 31, 2024

	YTD Special Revenue Funds	1st Qtr. General Fund	2nd Qtr. General Fund	YTD General Fund	TOTAL FY 24/25 Budget	General Fund
Revenue:						
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 240,340	0.0%
LAFCO Apportionment	-	1,523,813	57,507	1,581,320	1,581,320	100.0%
Filing Fees	84,360	-	-	-	-	0.0%
Misc Revenue	-	191	-	191	-	0.0%
Interest & Dividends	-	575	12,216	12,792	38,390	33.3%
PARS Trust Investment Gain/Loss	-	4,902	(1,482)	3,420	-	0.0%
Total Revenue	\$ 84,360	\$ 1,529,481	\$ 68,241	\$ 1,597,722	\$ 1,860,050	85.9%
Expenditures:						
Salaries	\$ 5,075	\$ 130,810	\$ 168,634	\$ 299,444	\$ 657,300	45.6%
Hourly Employees	-	4,225	4,853	9,078	20,800	43.6%
Benefits & Insurance						
Optional Benefit Plan	-	-	875	875	18,500	4.7%
Deferred Compensation	-	3,641	4,489	8,130	19,000	42.8%
Retirement Benefits	-	51,520	69,055	120,575	265,900	45.3%
Health Insurance	-	12,965	20,019	32,984	88,900	37.1%
Retiree Health Benefits	-	1,336	1,745	3,081	22,000	14.0%
Dental Insurance	-	320	516	836	11,600	7.2%
Life Insurance	-	65	104	169	420	40.2%
Workers Compensation	-	-	-	-	-	0.0%
Medicare	-	1,938	2,530	4,468	10,200	43.8%
Unemployment Insurance	-	41	54	95	200	47.6%
Health Reimbursement	-	1,638	2,153	3,791	7,800	48.6%
Salary Continuation	-	344	448	792	1,650	48.0%
Accidental Death Insurance	-	16	26	42	120	34.9%
Executive Car Allowance	-	1,200	2,400	3,600	7,200	50.0%
Total - Benefits & Insurance	5,075	75,025	104,413	179,438	453,490	39.6%
Information Technology	-	4,295	1,159	5,453	21,600	25.2%
Telephone & Internet	-	3,684	4,908	8,592	20,500	41.9%
County of Orange	-	1,242	123	1,365	12,000	11.4%
General Liability Insurance	-	3,302	3,302	6,605	15,760	41.9%
Memberships	-	10,002	10,179	20,182	40,400	50.0%
Office Equipment/Supplies	-	6,317	3,350	9,667	26,100	37.0%
Professional Services:						
Legal	-	15,427	8,283	23,710	60,000	39.5%
Accounting/Audit	-	14,304	18,169	32,473	57,000	57.0%
Human Resources	-	137	8,500	8,637	35,000	24.7%
Mapping/Archiving	-	984	984	1,968	4,000	49.2%
Other Professional Services	39,383	20,900	12,775	33,675	200,000	16.8%
Total - Professional Services	39,383	51,751	48,711	100,462	356,000	28.2%
Investment Admin Fees	-	133	86	219	850	25.8%
Public Noticing	-	-	-	-	12,000	0.0%
Unincorporated Areas Program	-	-	-	-	11,000	0.0%
Rents/Maintenance	-	37,246	18,623	55,869	115,000	48.6%
Equipment Leases	-	1,552	1,377	2,928	8,100	36.1%
Comm. & Staff Expense	-	1,092	968	2,060	5,000	41.2%
Comm. Stipends & Taxes/Fees	-	3,096	1,787	4,883	16,450	29.7%
Professional Development	-	-	650	650	20,000	3.3%
Transportation/Travel	-	9,176	5,189	14,365	35,300	40.7%
Commission Meeting Expense	-	287	331	617	12,400	5.0%
Refund of Deposit	-	-	-	-	-	0.0%
Total Expenditures	44,458	343,235	378,643	721,878	1,860,050	38.8%
Total Net Income (Loss)	\$ 39,903	\$ 1,186,246	\$ (310,402)	\$ 875,844	\$ -	

³ Financial data represents pre-audited amounts, which does not include all year-end adjustments.

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document on this page summarizes the agency's assets and liabilities as of December 31, 2024. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 6.

APPENDIX B OC LAFCO BALANCE SHEET As of December 31, 2024

	<u>Dec 31, 24</u>
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 384,353
Wells Fargo Checking	234,363
Wells Fargo Savings	217,751
OC Fund	303,422
Investment Acct - LAIF	729,843
PARS Trust	81,651
Fair Market Value Adjustments	(2,294)
Total Cash and Investments	<u>1,949,089</u>
Other Current Asset	
Prepaid Expenses	31,649
Retirement Prepaid Expense	139,232
Total Other Current Asset	<u>170,881</u>
Total Current Assets	2,119,970
Fixed Assets	46,538
Other Assets	
Right to Use Assets	621,896
Pension Deposit	226,128
Def. Outflows Pension Related	569,401
Deferred OPEB Contributions	8,874
Deferred Outflows OPEB Related	30,000
Total Other Assets	<u>1,456,300</u>
TOTAL ASSETS	<u>\$ 3,622,807</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accrued Liability	8,203
Compensated Absences	49,061
Total Current Liabilities	<u>57,263</u>
Long Term Liabilities	
Lease Liabilities	676,929
Deferred Inflows OPEB Related	39,000
Net OPEB Liability	85,000
Net Pension Liability	1,704,989
Def. Inflows Pension Related	165,908
Total Long Term Liabilities	<u>2,671,824</u>
Total Liabilities	2,729,087
Equity	893,720
TOTAL LIABILITIES & EQUITY	<u>\$ 3,622,807</u>

*No assurance provided on financial statements. Financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included.

APPENDIX C
OC LAFCO RESERVE BALANCE
As of December 31, 2024

Cash & Investments Description	Dec. 31, 2024 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 384,353	\$ 282,898 ¹	\$ 101,455
Checking - Wells Fargo	234,363	182,115 ¹	52,248
Savings - Wells Fargo	217,751	205,000 ¹	12,751
OC Fund Investment	303,422	-	303,422
LAIF Investment	729,843	-	729,843
PARS Trust	81,651	-	81,651
Total	\$ 1,951,383	\$ 670,013	\$ 1,281,370 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$282,898 during fiscal year 2024/25 in order to cover three months of payroll costs (County Payroll), \$182,115 to cover 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.

9a | Commission
Discussion

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Peggy Huang
City Member

Derek J. McGregor
Public Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer

SUBJECT: OC LAFCO Professional Services Agreement Update
and One-Year Extension of Agreement with Davis
Farr LLP

BACKGROUND

OC LAFCO utilizes private sector firms to complement staff resources for a variety of professional services, such as accounting, auditing, legal counsel, project facilitation, and other services. In accordance with local policy, each year the Commission receives a report on the agency's current professional services agreements. Some of the agreements are for services that are ongoing or as needed, whereas others are for one-time projects.

DISCUSSION

The comprehensive list, referenced as Attachment 1 to this report, includes agreements approved by the Commission and within the signature authority of the Executive Officer. In accordance with OC LAFCO's Accounting and Financial Policies, the Commission delegates authority to the Executive Officer for: (1) the purchase of goods and materials for office use not exceeding \$10,000, and (2) the approval and execution of agreements not exceeding \$10,000.

One of the items listed in Attachment 1 is an extension of the agreement with Davis Farr LLP to perform annual auditing services for the fiscal year ending on June 30, 2025. The original agreement approved by the Commission in 2021, in part to a competitive process conducted by five of the southern region LAFCOs (Imperial, Los Angeles, Orange, Riverside, and San Bernardino), included a four-year term with an option to extend the agreement for an additional year. Staff and Davis Farr representatives met recently to discuss joint interest in extending the agreement and a proposed adjustment to total costs for the extension period of \$7,920 to \$11,700. The increase of \$3,780 is proposed for the firm to provide adequate auditing services relative to the ongoing GASB and other accounting requirements. Based on the information provided by Davis

Farr, staff recommends approval of the increase of the total amount of the agreement for the single year.

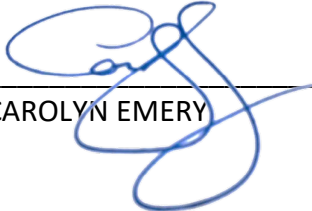
Additionally, staff has been informed that other southern region LAFCOs involved in this process will be recommending to their Commission approval of the option to extend the term of the agreement with Davis Farr for an additional year. In line with OC LAFCO's local policy, if the Commission approves the one-year extension, staff will conduct a joint competitive bidding process with other southern region LAFCOs for providing auditing services beginning with the fiscal year ending June 30, 2026.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the annual update on professional services agreements.
2. Approve the one-year extension with Davis Farr LLP and authorize the Executive Officer to execute the extension.

Respectfully submitted,



CAROLYN EMERY

Attachments:

1. FY 23-24 OC LAFCO Professional Services Agreements Summary
2. Form to First Amendment to Agreement for Professional Services Between OC LAFCO and Davis Farr LLP
3. Professional Consultant Services Agreement with Davis Farr LLP

Orange County LAFCO Professional Services Agreements Fiscal Year 2024-25

OC LAFCO Consultant	Primary Responsibilities	Agreement Status/Amount	Comments
Berkson Associates	Preparation of Fiscal Indicators for the 4 th Cycle MSRs and updates to fiscal indicators.	Current/ not to exceed \$20K per fiscal year	Assist with fiscal analyses and preparation of fiscal indicators for MSRs and website.
Best Best & Krieger LLP	Legal Services	Current/Budgeted at \$60K per fiscal year	Ongoing agreement for Commission legal services; some costs reimbursable by applicants.
CSUF/Center for Demographic Research	Specialized Demographic Data and Reports	Current/not to exceed \$20K for FYs 2024-25	Three-year MOU for FYs 2023-2026 to provide annual updates on specialized demographic data, prepare an annual countywide annexation boundary change report, and mapping of Orange County's disadvantaged unincorporated communities.
Davis Farr LLP	Annual Audit Services	Proposed Budget at \$11,700 for FY 2024-25 (final year)	Four-year agreement for auditing services through 2024, with option for one-year extension through 2025.
Eide Baily	Accounting, Budgeting and Bookkeeping	Current/ not to exceed \$49,216 per fiscal year	Ongoing agreement for accounting, bookkeeping and budget services awarded through a competitive quote process.
Paycor	Commissioner Payroll Processing	Current/not to exceed \$1,700 per fiscal year	Ongoing agreement for processing of Commissioner stipends, mileage reimbursements, and W-2s awarded through a competitive process.
Respond Tech	Information Technology Support Services	Current/ not to exceed \$10K per fiscal year	Ongoing agreement for information technology services awarded through a competitive quote process.
RSG Inc.	Central MSR and SOI Reviews	Current/ not to exceed \$95,645	One time agreement for preparation of municipal service reviews and SOI reviews for the Central Region.

**FIRST AMENDMENT
TO AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN
ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
AND DAVIS FARR LLP**

This First Amendment to Agreement for Professional Services (“First Amendment”) is made and entered into as of ____, 2025 (“Effective Date”) by and between ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as “LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000 *et seq.* and Davis Farr, LLP, a California limited liability company and qualified independent Certified Public Accounting firm (hereinafter referred to as “Consultant”). LAFCO and Consultant may be hereinafter referred to individually as the Party or collectively as the Parties.

RECITALS

A. The Parties entered into that certain Agreement for Professional Services effective July 1, 2021 for the provision of professional audit services for the fiscal years ending on June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024 (“Agreement”).

B. The Agreement provides that amendments or modifications to the Agreement be made in writing and signed by the Parties.

C. The Parties now desire to amend the Agreement in order to increase the total compensation under the Agreement and extend the term of the Agreement.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Compensation. Section 2(a) of the Agreement is amended in its entirety to read as follows:

“The total amount paid for services rendered by Consultant pursuant to Exhibit “A” for the audit of the fiscal year ending on June 30, 2021 shall not exceed \$7,405 without prior written approval by LAFCO. For the fiscal years ending on June 30, 2022, and June 30, 2023, and June 30, 2024, the total annual amount paid for services shall not exceed \$7,485, \$7,635, and \$7,765. The total compensation paid for services rendered by Consultant for audit services for the fiscal year ending on June 30, 2025 shall not exceed \$11,700 without prior written approval by LAFCO. Periodic payments shall be made within 30 days of receipt of a statement for services rendered. Payments to Consultant for work performed will be made on a monthly billing basis.”

2. Term and Time of Performance. Section 5 of the Agreement is hereby amended in its entirety to read as follows:

“The term of this Agreement shall be from July 1, 2021 to June 30, 2025 unless earlier terminated as provided herein. Any extension of the term of the Agreement shall be approved in writing by the LAFCO Commission. Consultant shall perform its services hereunder in a prompt and timely manner, in accordance with the Activity Schedule shown in Exhibit “C” and shall commence performance upon the execution of this Agreement.”

3. Remaining Provisions. Except as specifically set forth in this First Amendment, the remaining provisions of the Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ORANGE COUNTY LOCAL AGENCY
FORMATION COMMISSION**

DAVIS FARR, LLP

By: _____
Carolyn Emery, Executive Officer

By: _____
Jennifer Farr, Partner

Approved as to Form:

General Counsel
Orange County Local Agency
Formation Commission

**AGREEMENT FOR SERVICES BETWEEN
ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
AND
DAVIS FARR LLP**

This Agreement is made and entered into as of July 1, 2021 (“Effective Date”) by and between ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as “LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000 *et seq.* Davis Farr LLP (hereinafter referred to as “Consultant”).

RECITALS

A. LAFCO is a public agency of the State of California and is in need of the following professional services: Audit Services for the fiscal years ending on June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, as more particularly described herein (hereinafter referred to as “the Project”).

B. Consultant is a qualified independent Certified Public Accounting firm.

C. The parties desire by this Agreement to establish the terms for LAFCO to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide LAFCO with the services described in the Scope of Services attached hereto as Exhibit “A.” Should LAFCO determine, in its sole discretion, to exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, such renewed services shall be performed as described in the Scope of Services attached hereto as Exhibit “A.”

2. Compensation.

a. The total amount paid for services rendered by Consultant pursuant to Exhibit “A” for the audit of the fiscal year ending on June 30, 2021 shall not exceed \$7,405 without prior written approval by LAFCO. For the fiscal years ending on June 30, 2022, and June 30, 2023, and June 30, 2024, the total annual amount paid for services shall not exceed \$7,485, \$7,635, and \$7,765 respectively without prior written approval by LAFCO. Should LAFCO, in its sole discretion, exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, the total amount paid for services rendered by Consultant for audit services

for the fiscal year ending on June 30, 2025 shall not exceed \$7,920 without prior written approval by LAFCO. Periodic payments shall be made within 30 days of receipt of a statement for services rendered. Payments to Consultant for work performed will be made on a monthly billing basis.

b. Subject to paragraph 2(a) above, LAFCO shall pay for additional consulting services in accordance with the Schedule of Additional Charges set forth in Exhibit "B."

c. LAFCO shall reimburse costs advanced by Consultant on LAFCO's behalf, as well as other expenses, in addition to the amount billed for fees. These currently include, but are not limited to, automobile mileage and actual expenses away from Consultant's offices on LAFCO business, extraordinary photocopy charges and any costs of producing or reproducing photographs, documents and other things necessary for the preparation or presentation of LAFCO business. All costs will be itemized on LAFCO's monthly statement. LAFCO shall not pay fees for travel to or from LAFCO's offices in the ordinary course of business or reimburse mileage to Consultant.

3. Additional Work.

If changes in the work seems merited by Consultant or LAFCO, and informal consultations with the other party indicate that a change is warranted, it shall be processed by LAFCO in the following manner: a letter outlining the changes shall be forwarded to LAFCO by Consultant with a statement of estimated changes in fee or time schedule. An amendment to the Agreement shall be prepared by LAFCO and executed by both parties before performance of such services or LAFCO will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the Agreement period and for seven (7) years from the date of final payment under the contract for inspection by LAFCO or any government agencies included in the audit of federal grants.

5. Term and Time of Performance.

The term of this Agreement shall be from July 1, 2021 to June 30, 2024. In its sole discretion, LAFCO may extend the Services required hereunder to include audit services related to the fiscal year ending on June 30, 2025, in writing providing notice to Consultant that such Services shall be extended for an additional year. Consultant shall perform its services hereunder in a prompt and timely manner, in accordance with the Activity Schedule shown in Exhibit "C" and shall commence performance upon the execution of this Agreement.

6. Delays in Performance.

Neither LAFCO nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns and other labor disturbances; sabotage or judicial restraint.

Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government.

b. Consultant shall assist LAFCO in obtaining and maintaining all permits required of Consultant by Federal, State and local regulatory agencies.

c. Consultant certifies by executing this Agreement that, on the Effective Date and for the duration of this Agreement, neither Consultant nor its employees assigned to perform services hereunder shall have any prohibited conflict of interest as defined under the California Political Reform Act or conflicting financial interest in this Agreement as defined under California Government Code Section 1090.

d. Consultant agrees that in the event an administrative agency or court of competent jurisdiction finds this Agreement to have been executed or administered in violation of Government Code Section 1090 or any other applicable law, that disgorgement of profits or anything received by Consultant may be required as a consequence of both civil and criminal liability. In such a case, payments made by LAFCO to the Consultant must be returned to LAFCO by the Consultant and no claim for future payments under this Agreement may be made, and LAFCO shall be entitled to retain any benefits which it receives under this Agreement.

8. Standard of Care.

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant.

Consultant shall not assign, sublet or transfer this Agreement or any rights under or interest in this Agreement without the written consent of LAFCO, which may be withheld for any reason. Nothing contained herein shall prevent Consultant from employing independent associates and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor.

Consultant is retained as an independent contractor and is not an employee of LAFCO. No employee or agent of Consultant shall become an employee of LAFCO. The work to be performed shall be in accordance with the work described in Exhibit "A," subject to such directions and amendments from LAFCO as herein provided.

11. Integration.

This Agreement represents the entire understanding of LAFCO and Consultant as to those matters contained herein, and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties hereto. This is an integrated Agreement.

12. Insurance.

a. Commercial General Liability

(1) Consultant shall maintain occurrence version Commercial General Liability Insurance or equivalent form with a combined single limit of not less than \$1,000,000 per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or be no less than twice the occurrence limit.

(2) All such policies shall name Orange County Local Agency Formation Commission, the Commission and each member of the Commission, its officers, employees, agents and LAFCO designated volunteers as Additional Insureds under the policy.

(3) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

b. Automobile Liability

(1) At all times during the performance of the work under this Agreement the Consultant shall maintain Automobile Liability Insurance for bodily injury and

property damage including coverage for non-owned and hired vehicles, in a form and with insurance companies acceptable to LAFCO.

(2) Coverage for Automobile Liability Insurance shall be at least as broad as Insurance Services Office Form Number CA 0001 (ed. 6/92) covering automobile liability, Code 1.

(3) The automobile liability program may utilize deductibles, but not a self-insured retention, subject to written approval by LAFCO.

(4) All such policies shall name LAFCO, the Commission and each member of the Commission, its officers, employees, agents and designated volunteers as Additional Insureds under the policies.

c. Workers' Compensation/Employer's Liability

(1) At all times during the performance of the work under this Agreement and for 24 months following the date of Project completion and acceptance by LAFCO, the Consultant shall maintain workers' compensation in compliance with applicable statutory requirements and Employer's Liability Coverage in amounts indicated herein.

(2) Such insurance shall include an insurer's Waiver of Subrogation in favor of LAFCO and will be in a form and with insurance companies acceptable to LAFCO

(3) If insurance is maintained, the workers' compensation and employer's liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

(4) Before beginning work, the Consultant shall furnish to LAFCO satisfactory proof that Consultant has taken out, for the period covered by the work under this Agreement, full compensation insurance for all persons employed directly by Consultant to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof. Consultant shall require all subconsultants to obtain and maintain, for the period covered by the work under this Agreement, workers' compensation of the same type and limits as specified in this Section.

d. Professional Liability (Errors and Omissions).

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability insurance, in a form and with insurance companies acceptable to LAFCO and in an amount indicated herein.

e. Minimum Policy Limits Required

(1) The following insurance limits are required for the Contract:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/aggregate for bodily injury, personal injury and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence
Professional Liability (errors and omissions)	\$1,000,000 per claim and aggregate

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with LAFCO evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (ACORD Form 25-S or equivalent). All evidence of insurance shall be signed by a properly authorized officer, agent or qualified representative of the insurer and shall certify the names of the insured, any additional primary insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies and the expiration date of such insurance.

g. Policy Provisions Required

(1) All policies shall contain a provision for 30 days advance written notice by the insurer(s) to LAFCO of any cancellation. Statements that the carrier "will endeavor" and "that failure to mail such notice shall impose no obligation and liability upon the company, its agents or representatives," will not be acceptable on certificates.

(2) All policies shall contain a provision stating that the Consultant's policies are primary insurance and that the insurance of LAFCO or any Additional Insured shall not be called upon to contribute to any loss.

h. Additional Insurance Provisions

(1) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by LAFCO, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise

assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(2) If at any time during the life of the Agreement the Consultant fails to maintain in full force any insurance required by the Agreement documents, LAFCO may terminate the Agreement.

(3) The Consultant shall include all subconsultants as insureds under its policies or shall furnish separate certificates and endorsements for each subconsultant. All coverages for subconsultants shall be subject to all of the requirements stated herein.

(4) LAFCO may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(5) Neither LAFCO nor the Commission, nor any member of the Commission, nor any of the directors, officers, employees, agents or volunteers of LAFCO or the Commission shall be personally responsible for any liability arising under or by virtue of this Agreement.

13. Indemnification.

Consultant agrees to protect, save, defend and hold harmless LAFCO and its Commission and each member of the Commission, officers, agents and employees from any and all claims, liabilities, expenses or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of or in any way connected with the alleged acts, errors or omissions or willful misconduct by Consultant, Consultant's agents, officers, employees, subconsultants or independent consultants hired by Consultant under this Agreement. This hold harmless Agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification, etc. to be provided by Consultant.

14. Laws, Venue and Attorneys' Fees.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Orange, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

15. Termination or Abandonment.

a. LAFCO has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, LAFCO shall be immediately given title and possession to all original field notes, drawings and

specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. LAFCO shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by LAFCO and Consultant of the portion of such task completed but not paid prior to said termination. LAFCO shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to LAFCO only in the event of substantial failure by LAFCO to perform in accordance with the terms of this Agreement through no fault of Consultant.

16 Organization.

Consultant shall assign Jamie Gardner as the Audit Manager. The Audit Manager shall not be removed from the Project or reassigned without the prior written consent of LAFCO.

17. Notice.

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

LAFCO:
2677 North Main Suite 1050
Santa Ana, CA 92705
Attn: Executive Officer

Consultant:
Davis Farr LLP
2301 DuPont Drive, Suite 200
Irvine, CA 92612
Attn: Shannon Ayala

and shall be effective upon receipt thereof.

18. Third Party Rights.

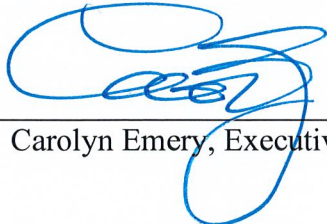
Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than LAFCO and the Consultant.

19. Severability.

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

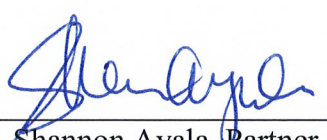
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ORANGE COUNTY LOCAL AGENCY
FORMATION COMMISSION**

By: 


Carolyn Emery, Executive Officer

DAVIS FARR, LLP

By: 

Shannon Ayala, Partner

Approved as to Form:



General Counsel
Orange County Local Agency
Formation Commission

EXHIBIT A**Scope of Services****Consultant shall provide the following services:**

1) Audit

- a) Consultant will perform an independent audit of all funds of LAFCO. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States.
- b) The Commission's Basic Financial Statements will be prepared and word-processed by the Consultant in full compliance with generally accepted accounting principles.
- c) The Consultant will render their auditors' report on the Basic Financial Statements that will include both Government-Wide Financial Statements and Fund Financial Statements.
- d) The Consultant will also apply limited audit procedures to Management's Discussion and Analysis ("MD&A"), consisting of the control environment, accounting systems and control procedures, and required supplementary information pertaining to the General Fund and each major fund of the Commission.

2) Management Letter

- a) The Consultant will issue a separate "management letter" that includes recommendations to the governing board for improvements in internal control that are considered to be nonreportable conditions.

LAFCO will provide the following services:

The LAFCO staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, referral to the appropriate person and/or department for supporting documents and reconciliations of major asset and liability balances. LAFCO staff will prepare the MD&A based on a template supplied by the Consultant. All other information and financial statements are the responsibility of the Consultant. All working papers and reports are to be retained at the Consultant's sole expense for a minimum of seven (7) years. Consultant will be responsible for making working papers available to LAFCO or any other appropriate government agency.

EXHIBIT B**Schedule of Additional Charges/Payments**

Fee Schedule
for
DAVIS FARR, LLP.

The following fee schedule shall apply for additional consulting services over the term of the Agreement:

Professional Services Classification	Hourly Rates
Partners	\$165
Managers	\$130
Senior (in-Charge) Auditors	\$105
Staff Auditor	\$95

Consultant shall bill LAFCO only for the actual hours incurred in performing the services required under this Agreement, in accordance with the fee schedule set forth above, and subject to the provisions of Section 2 of this Agreement.

EXHIBIT C**Activity Schedule**

Timetable of Audit Work and Deliverable Reports to be performed for the Fiscal Years ending on June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025, if LAFCO exercises its option to renew the Agreement :

Consultant shall be responsible for performing the audit at the end of each fiscal year over the term of the Agreement in accordance with Exhibit "A" and preparation and word processing of the following financial statements:

<u>Report Description</u>	<u>Number of Copies</u>	<u>Due Date of Each Audit Year</u>
Basic Financial Statements	1 photo ready 3 hard copies (Final audit)	Timeline established by LAFCO for the audit of each fiscal year.

A draft copy of the Basic Financial Statements should be delivered to the LAFCO Executive Officer for review approximately 10 days prior to the deadline noted above.

The audit shall begin no earlier than August 1 of each year and be completed in time to meet the deadline established by LAFCO for the audit of each fiscal year.

9b | Commission
Discussion

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Assistant Executive Officer

SUBJECT: Fiscal Year 2023-24 OC LAFCO Audited Financial
Statements

BACKGROUND

The Fiscal Year 2023-24 OC LAFCO Audited Financial Statements, provided as **Attachment 2**, consists of seven parts:

- Independent Auditor’s Report: An audit Report cover letter from Davis Farr outlining the auditor’s professional responsibilities, accounting basis, and opinion on whether the financial statements comply with Generally Accepted Accounting Practices. (Pg 1-3)
- Management’s Discussion and Analysis: This section summarizes the financial statements and explains any major changes from the prior fiscal year to the current fiscal year. (Pages 4-8)
- OC LAFCO Government Wide Financial Statements: These two statements are different from the rest of the financial statements in that they include the long-term assets and long-term liabilities of the Commission. (Pages 9-10)
- OC LAFCO Fund Financial Statement: A depiction of the agency’s government activities and each major fund for FY 2023-24. These statements differ from the government wide statements in that they have a current resource/boundary focus and, as such, exclude the long-term assets and liabilities. (Pages 11-14)
- Notes to the Basic Financial Statements: The footnotes provide information in greater detail on OC LAFCO’s financial policies, other post-employment benefits, and other financial matters. (Pages 15-39)
- Required Supplemental Information: This includes various schedules and details for the agency’s pension liability, OPEB liability, the Schedule of Revenues, Expenditures and Changes in

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Peggy Huang
City Member

Derek J. McGregor
Public Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

Fund Balance-Budget and Actual, and notes to the required supplemental information.
(Pages 40-49)

- Independent Auditor’s Report on Internal Control: A report identifying and disclosing any material weakness or significant deficiencies in internal control. (Pages 50-51)

In preparation for and during the audit, OC LAFCO’s staff and accountant jointly prepared materials and worked directly with the team from the independent auditor’s firm, Davis Farr LLP. In addition to a review of these documents, the audit team performed fieldwork at the OC LAFCO office to complete the audit process.

OC LAFCO’S FISCAL YEAR 2023-24 AUDITED FINANCIAL STATEMENTS

The auditor found OC LAFCO’s financial reporting to be in compliance with Generally Accepted Accounting Principles and expressed an Unqualified Opinion, which is the highest level of opinion an entity can receive. Additionally, the Report on Internal Controls noted that no material weaknesses or significant deficiencies in internal controls were identified during the audit process.

RECOMMENDED ACTION

Staff Recommend the Commission:

1. Receive and File OC LAFCO’s Fiscal Year 2023-24 audited financial statements prepared by Davis Farr LLP.

Respectfully submitted



LUIS TAPIA


CINDY BYERUM

Attachments:

1. Auditor Communications to Those in Governance
2. OC LAFCO Audited Financial statements for Fiscal Year 2023-24



Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

To the Board of Commissioners
Orange County Local Agency Formation Commission
Santa Ana, California

We have audited the financial statements of the governmental activities and each major fund of Orange County Local Agency Formation Commission (the "Commission") as of and for the year ended June 30, 2024, and have issued our report thereon dated November 15, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 19, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified independence threats related to the preparation of the financial statements. We have applied certain safeguards to reduce the threats to an acceptable level, including using an independent party within the firm to perform a quality control review of the financial statements, and obtaining confirmation from The Orange County Local Agency Formation Commission management that their review of the financial statements included comparing the financial statements and footnotes to the underlying accounting records.

Significant Risks Identified

During the planning of the audit, we identified the risk of errors in the calculation of Pension and Other Post Employment Benefit (OPEB) Liabilities as a significant risk.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements include:

- Management's estimate of transactions related to net pension liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of transactions related to net OPEB liabilities based on actuarial information. We evaluated the key factors and assumptions used to develop the amounts by the actuary and determined that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Orange County Local Agency Formation Commission's financial statements relate to Pension and OPEB.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated November 15, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that they regularly consult with Eide Bailly LLP regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Commissioners, and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
November 15, 2024

**ORANGE COUNTY LOCAL AGENCY
FORMATION COMMISSION**

Basic Financial Statements

Year ended June 30, 2024

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION**Basic Financial Statements****Year ended June 30, 2024****TABLE OF CONTENTS**

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Independent Auditor's Report

Board of Commissioners
Orange County Local Agency Formation Commission
Santa Ana, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and each major fund of the Orange County Local Agency Formation Commission (the "Commission"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Orange County Local Agency Formation Commission as of June 30, 2024, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange County Local Agency Formation Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Local Agency Formation Commission's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios of the Measurement Date, the Schedule of Plan Contributions – Defined Benefit Pension Plan, the Schedule of the Proportionate Share of the Net OPEB Liability and Related Ratios of the Measurement Date, and the Schedule of Contributions – OPEB Plan* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We

do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Orange County Local Agency Formation Commission's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.



Irvine, California
November 15, 2024

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

The following management's discussion and analysis of the financial performance of the Orange County Local Agency Formation Commission (the Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant revenues and expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of two parts - *management's discussion and analysis* (this section), and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Commission.

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Commission's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the Commission, reporting the Commission's operations in *more detail* than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Reporting the Commission as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the Commission as a whole. One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in net position. You can think of the Commission's net position - the difference between assets and liabilities - as one way to measure the Commission's financial health, or *financial position*. Over time, *increases and decreases* in the Commission's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Commission's revenues, to assess the *overall health* of the Commission.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)Reporting the Commission's Major Funds

The **fund financial statements** provide detailed information about the Commission's most significant funds - not the Commission as a whole. Some funds are required to be established by State law or by bond covenants. However, the Commission establishes other special funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain revenues.

Governmental funds - All of the Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation following the fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *Statement of Net Position* follows:

Table 1
Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,610,840	1,725,489	(114,649)
Capital assets, net	668,433	744,634	(76,201)
Total assets	<u>2,279,273</u>	<u>2,470,123</u>	<u>(190,850)</u>
Deferred outflow of resources	<u>608,275</u>	<u>563,618</u>	<u>44,657</u>
Liabilities:			
Current liabilities	188,692	361,715	(173,023)
Non-current liabilities	<u>2,515,979</u>	<u>2,500,713</u>	<u>15,266</u>
Total liabilities	<u>2,704,671</u>	<u>2,862,428</u>	<u>(157,757)</u>
Deferred inflows of resources	<u>204,906</u>	<u>252,870</u>	<u>(47,964)</u>
Net position:			
Net investment in capital assets	(8,496)	4,901	(13,397)
Unrestricted	<u>(13,533)</u>	<u>(86,458)</u>	<u>72,925</u>
Total net position	<u>\$ (22,029)</u>	<u>(81,557)</u>	<u>59,528</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

A closer examination reveals that Net Position between the years increased by \$325,410. This increase is caused primarily by an increase in the apportionment and charges for services.

A summary of the government-wide *Statement of Activities* follows:

Table 2
Statement of Activities
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Apportionments	\$ 1,411,890	1,227,730	184,160
Charges for Services	207,177	52,652	154,525
Interest and Other Revenues	<u>77,973</u>	<u>40,465</u>	<u>37,508</u>
Total revenues	<u>1,697,040</u>	<u>1,320,847</u>	<u>376,193</u>
Expenses:			
General Government	1,616,430	1,563,172	53,258
Interest	<u>21,082</u>	<u>23,557</u>	<u>(2,475)</u>
Total expenditures	<u>1,637,512</u>	<u>1,586,729</u>	<u>50,783</u>
Changes in net position	59,528	(265,882)	325,410
Beginning net position	<u>(81,557)</u>	<u>184,325</u>	<u>(265,882)</u>
Ending net position	<u>\$ (22,029)</u>	<u>(81,557)</u>	<u>59,528</u>

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Commission improved or deteriorated during the year. In fiscal year 2024, the Commission saw increased apportionments and increased charges for services.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

GENERAL FUND BUDGET

Major deviations between the budget of the General Fund and its actual operating results were as follows:

- Total general fund revenues were slightly higher than budgeted due to unrealized investment gains and high interest returns on investment accounts.
- Several pension and retiree health year-end calculations are not budgeted for and are prepared mainly for audited financial statement presentation.
- Total expenditures were lower than budget by approximately \$285,870 mainly due to lower-than-expected expenditures for service and supplies and lower salary expenses, offset by an increase in rent expense including the principal and interest payments on leases under GASB 87.

CAPITAL ASSETS

**Capital Assets - Governmental Activities
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Capital assets:			
Furniture and fixtures	\$ 19,530	19,530	-
Equipment	21,085	60,573	(39,488)
Leasehold improvements	103,169	103,169	-
Software/Website	30,000	-	30,000
Right to use asset	912,526	901,560	10,966
Construction in progress	-	22,500	(22,500)
Total capital assets	<u>1,086,310</u>	<u>1,107,332</u>	<u>(21,022)</u>
Accumulated depreciation	<u>(417,877)</u>	<u>(362,700)</u>	<u>(55,177)</u>
Capital assets, net	<u>\$ 668,433</u>	<u>744,632</u>	<u>(76,199)</u>

Additional information on capital assets and leases can be found in Note 3 of the notes to the financial statements.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Management's Discussion and Analysis

Year ended June 30, 2024

LONG-TERM LIABILITIES

Long-term Liabilities
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Compensated Absences	\$ 49,061	54,334	(5,273)
Lease Liability	<u>676,929</u>	<u>739,733</u>	<u>(62,804)</u>
Total Liabilities	<u>\$ 725,990</u>	<u>794,067</u>	<u>(68,077)</u>

The compensated absences liability represents the value of unused vacation pay that employees have accrued as of the end of the fiscal year. Additional information on long-term liabilities may be found in Note 5 of the notes to financial statements.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at 2677 North Main Street, Suite 1050, Santa Ana, CA 92705.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Statement of Net Position

June 30, 2024

(with comparative information for prior year)

	Governmental Activities	
	2024	2023
Assets:		
Cash and investments (note 2)	\$ 1,330,669	1,485,159
Interest receivable	10,860	5,689
Prepaid costs	269,311	234,641
Capital assets - not depreciated (note 3)	-	22,500
Capital assets - depreciated, net (note 3)	668,433	722,134
Total assets	2,279,273	2,470,123
Deferred outflow of resources:		
Deferred amounts from pension (note 6)	569,401	515,973
Deferred amounts from OPEB (note 7)	38,874	47,645
Total deferred outflow of resources	608,275	563,618
Liabilities:		
Accounts payable	69,465	29,152
Accrued liabilities	34,867	41,026
Unearned revenue	84,360	291,537
Noncurrent liabilities:		
Due within one year:		
Compensated absences (note 5)	32,707	36,223
Lease liability (note 5)	94,015	89,116
Due in more than one year:		
Compensated absences (note 5)	16,354	18,111
Lease liability (note 5)	582,914	650,617
Net pension liability (note 6)	1,704,989	1,587,646
Net OPEB liability (note 7)	85,000	119,000
Total liabilities	2,704,671	2,862,428
Deferred inflow of resources:		
Deferred amounts from pension (note 6)	165,906	229,870
Deferred amounts from OPEB (note 7)	39,000	23,000
Total deferred inflow of resources	204,906	252,870
Net position (deficit):		
Net investment in capital assets	(8,496)	4,901
Unrestricted	(13,533)	(86,458)
Total net position (deficit)	\$ (22,029)	(81,557)

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Statement of Activities

Year ended June 30, 2024
(with comparative information for prior year)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2024	2023
Governmental activities:						
General government	\$ 1,616,430	207,177	-	-	(1,409,253)	(1,510,520)
Interest	<u>21,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,082)</u>	<u>(23,557)</u>
Total governmental activities	<u>\$ 1,637,512</u>	<u>207,177</u>	<u>-</u>	<u>-</u>	<u>(1,430,335)</u>	<u>(1,534,077)</u>
		General revenues:				
		Apportionments			1,411,890	1,227,730
		Investment income (loss)			77,580	40,360
		Other revenues			<u>393</u>	<u>105</u>
		Total general revenues			<u>1,489,863</u>	<u>1,268,195</u>
		Change in net position			59,528	(265,882)
		Net position (deficit), beginning of year			<u>(81,557)</u>	<u>184,325</u>
		Net position (deficit), end of year			<u>\$ (22,029)</u>	<u>(81,557)</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Balance Sheet - Governmental Funds

June 30, 2024

(with comparative information for prior year)

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2024	2023
<u>Assets</u>				
Cash and investments	\$ 1,246,309	84,360	1,330,669	1,485,159
Interest receivable	10,860	-	10,860	5,689
Prepaid costs	269,311	-	269,311	234,641
Total assets	<u>\$ 1,526,480</u>	<u>84,360</u>	<u>1,610,840</u>	<u>1,725,489</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 69,465	-	69,465	29,152
Accrued liabilities	34,867	-	34,867	41,026
Unearned revenue	-	84,360	84,360	291,537
Total liabilities	<u>104,332</u>	<u>84,360</u>	<u>188,692</u>	<u>361,715</u>
Fund balance:				
Nonspendable:				
Prepaid costs	269,311	-	269,311	234,641
Assigned for:				
Contingency	100,000	-	100,000	100,000
Litigation	75,000	-	75,000	75,000
Unfunded liabilities	30,000	-	30,000	30,000
Restricted for:				
Retirement benefits	78,231	-	78,231	57,285
Unassigned	869,606	-	869,606	866,848
Total fund balance	<u>1,422,148</u>	<u>-</u>	<u>1,422,148</u>	<u>1,363,774</u>
Total liabilities and fund balance	<u>\$ 1,526,480</u>	<u>84,360</u>	<u>1,610,840</u>	<u>1,725,489</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

June 30, 2024

Fund balances of governmental funds	\$ 1,422,148
Amounts reported for governmental activities in the Statement of Net Position are different because:	
<i>Capital Related Items</i>	
Capital assets and depreciation have not been included as financial resources in the government fund statements:	
Capital assets	1,086,310
Accumulated depreciation	(417,877)
<i>Long-Term Liability Transactions</i>	
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported in the government fund statements:	
Net pension liability	(1,704,989)
Net OPEB liability	(85,000)
Lease liability	(676,929)
Compensated absences	(49,061)
<i>Deferred Outflows and Inflows of Resources</i>	
Certain deferred outflows and inflows of resources are not due and payable in the current period and are not current assets or financial resources, therefore these items are not reported in the governmental funds:	
Deferred outflows - pensions	569,401
Deferred outflows - OPEB	38,874
Deferred inflows - pensions	(165,906)
Deferred inflows - OPEB	(39,000)
Net position of governmental activities	<u>\$ (22,029)</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental FundsYear ended June 30, 2024
(with comparative information for the prior year)

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2024	2023
Revenues:				
Apportionments	\$ 1,411,890	-	1,411,890	1,227,730
Filing fees	-	207,177	207,177	52,652
Investment income	77,580	-	77,580	40,360
Other	393	-	393	105
Total revenues	<u>1,489,863</u>	<u>207,177</u>	<u>1,697,040</u>	<u>1,320,847</u>
Expenditures:				
General government:				
Salaries and benefits	919,887	6,727	926,614	932,151
Service and supplies	427,716	193,434	621,150	514,470
Refund of unused deposits	-	7,016	7,016	3,319
Debt service:				
Principal	89,925	-	89,925	83,593
Interest	21,082	-	21,082	23,557
Total expenditures	<u>1,458,610</u>	<u>207,177</u>	<u>1,665,787</u>	<u>1,557,090</u>
Excess (deficiency) of revenues over/(under) expenditures	31,253	-	31,253	(236,243)
Other financing sources (uses):				
Issuance of lease	<u>27,121</u>	<u>-</u>	<u>27,121</u>	<u>-</u>
Net change in fund balances	58,374	-	58,374	(236,243)
Fund balances at beginning of year	<u>1,363,774</u>	<u>-</u>	<u>1,363,774</u>	<u>1,600,017</u>
Fund balances at end of year	<u>\$ 1,422,148</u>	<u>-</u>	<u>1,422,148</u>	<u>1,363,774</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities**

Year ended June 30, 2024

Net changes in fund balances - total governmental funds \$ 58,374

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital expenditures	34,618
Depreciation expense	(110,819)

Long-Term Liability Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources:

Net change in compensated absences	5,273
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Pension and OPEB expense reported in the governmental funds include the actual contributions made in the fiscal year. Pension and OPEB expense reported in the Statement of Activities includes the changes in the liabilities and related deferred outflows/inflows of resources.

Net change in net pension liability	49
Net change in net OPEB liability	9,229

The proceeds of long-term debt are recorded as other financing sources in governmental funds and as a fund liability in the Statement of Activities. Amounts paid to reduce long-term indebtedness are reported as fund expenditures in governmental funds and as a reduction of the liability in the Statement of Activities.

Lease principal payments	89,925
New lease	<u>(27,121)</u>

Change in net position of governmental activities	<u>\$ 59,528</u>
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ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(1) Summary of Significant Accounting Policies

The financial statements of the Orange County Local Agency Formation Commission (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Description of the Reporting Entity

Following the end of World War II, California entered a new era of demographic growth and diversity, and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (LAFCO) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

Prior to July 1, 2001, the Commission was a department of the County of Orange (County). The Commission has separated from the County and is now independent. The Commission's governing board consists of seven appointed board members, and four alternates. Two members are selected by the Orange County Board of Supervisors from their own membership, two are selected by the cities in the County, two are selected from special districts by the independent special district selection committee and one member is selected to represent the general public, who is appointed by the other members of the Commission.

Funding for the Commission operations is equally shared by the County, the 34 Orange County cities and the 27 independent special districts. Although the County of Orange contributes one-third of the Commission funding, the Commission is an independent agency and its budget is not subject to County approval. The Commission is staffed by 5 full-time staff.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

- (a) Government-wide financial statements
- (b) Fund financial statements
- (c) Notes to the basic financial statements

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or segment. Program revenues include charges for services that are restricted to meeting the operational or capital requirements of a particular function or segment. Use of money and other items not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses an availability period of 60 days for all revenues.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Other revenue items are considered to be measurable and available when cash is received from the government.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Net Position Flow Assumption – When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the Commission's policy is to apply restricted fund balance first.

Fund Balance Flow Assumption – When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the Commission's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as a separate column in the fund financial statements.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)**(c) Fund Classifications**

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – This includes amounts that cannot be spent because they are either not spendable in form (such as prepaid expenses) or legally or contractually required to be maintained intact.

Restricted Fund Balance – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Commission action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, to constitute a formal action of the Board of Commissioners for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Commission but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

The Commission reports the following major governmental funds:

The General Fund is used to account for resources traditionally associated with the organization, which are not required legally or by sound financial management to be accounted for in another fund.

The Special Revenue Fund is used to account for resources derived from the specific revenue sources which are usually required by law or administrative regulation to be accounted for in separate funds. The Commission utilizes this fund to account for the different special projects.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)**(d) Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported in the accompanying balance sheet at fair value.

(e) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the Commission's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the Commission's own data.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)**(f) Capital Assets**

Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial cost of more than \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7-10 years
Equipment	3 to 5 years
Leasehold improvements	Life of lease
Software	3 years

Right to use capital assets are depreciated over the estimated useful life of the leased asset or the contract term, whichever is shorter.

(g) Compensated Absences

All regular full-time and regular part-time Commission employees earn from 15 to 25 vacation days a year, depending upon their length of employment, and 9 to 12 sick days a year. Employees can carry forward up to 240 hours in earned but unused vacation days. Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused vacation leave. There is no payout for unused accumulated sick leave and as such is not accrued for at year-end.

(h) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Orange County Employees' Retirement System (OCERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the Plans' terms. Investments are reported at fair value.

OCERS audited financial statements are publicly available reports that can be obtained at OCERS' website under Forms and Publications.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	December 31, 2022
Measurement Date (MD)	December 31, 2023
Measurement Period (MP)	January 1, 2023 to December 31, 2023

(i) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Commission's plan (Plan) additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	December 31, 2023
Measurement Period (MP)	January 1, 2023 to December 31, 2023

(j) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission reports deferred outflows related to pensions and OPEB resulting from actuarial calculations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to pensions and OPEB resulting from actuarial calculations.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION**Notes to the Basic Financial Statements****Year ended June 30, 2024****(Continued)****(1) Summary of Significant Accounting Policies (Continued)****(k) Leases**

The Commission is a lessee for right to use assets as detailed in Note 5. The Commission recorded a lease payable in the financial statements.

At the commencement of the lease, the Commission initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made.

Key estimates and judgments include how the Commission determines the discount rate it uses to discount the expected lease receipts and payments to present value, lease term and lease receipts.

- The Commission used the estimated borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

(l) Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(m) Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(2) Cash and Investments

Cash and investments held at June 30, 2024 consisted of the following:

Demand deposits	\$ 398,007
County Payroll Deposit	428,502
Orange County Investment Pool	353,250
Local Agency Investment Fund	72,679
Mutual Fund – PARS Trust	<u>78,231</u>

Total cash and investments \$ 1,330,669

Investments Authorized by the Commission’s Investment Policy

The Commission's investment policy is reviewed by the Commission each year. Regarding allowable investment types, the investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53600.5 of the California Government Code. Investment vehicles not specifically identified in the Commission’s investment policy are not authorized unless the policy is amended by the Board of Commissioners. Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
United States Government			
Sponsored Agency Securities	5 years	None	None
Negotiable Certificates of Deposit*	5 years	30%	None
Local Agency Investment Fund	N/A	None	None
Orange County Investment Pool	N/A	None	None

N/A - Not Applicable

* - Issued by a nationally or state-chartered bank, a state or federal savings and loan association, or savings bank with ratings equivalent by Fitch to be F1 or better.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(2) Cash and Investments (Continued)Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by investing in the portfolio of the State Local Agency Investment Fund (LAIF), Orange County Investment Pool and PARS, which purchase a combination of shorter term and longer term investments.

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>
		<u>12 Months Or Less</u>
County investment pool	\$ 353,250	353,250
State investment pool	72,679	72,679
Mutual Fund – PARS Trust	<u>78,231</u>	<u>78,231</u>
Total	<u>\$ 504,160</u>	<u>504,160</u>

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
County investment pool	\$ 353,250	N/A	353,250	-
State investment pool	72,679	N/A	-	72,679
Mutual Fund – PARS Trust	<u>78,231</u>	N/A	<u>-</u>	<u>78,231</u>
Total	<u>\$ 504,160</u>		<u>353,250</u>	<u>150,910</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION**Notes to the Basic Financial Statements****Year ended June 30, 2024****(Continued)****(2) Cash and Investments (Continued)**Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Deposits may be covered by federal deposit insurance. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department. \$428,502 of deposits is held by the County as uncollateralized.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Orange County Investment Pool).

Fair Value Measurement

The Commission is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool and is rated and registered with the Securities and Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2024, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Annual Comprehensive Financial Report.

The fair value of the Commission's investment in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California is reported at amounts based upon the Commission's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(2) Cash and Investments (Continued)

available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Commission has a mutual fund investment in a trust with the Public Agency Retirement Service (PARS). Mutual Fund investments are not subject to fair value measurements.

(3) Capital Assets

A summary of changes in capital assets follows:

	Balance at <u>July 1, 2023</u>	Additions	Deletions	Balance at <u>June 30, 2024</u>
Non-depreciable capital assets :				
construction-in-progress	\$ 22,500	7,500	(30,000)	-
Total non-depreciable capital asset:	<u>22,500</u>	<u>7,500</u>	<u>(30,000)</u>	<u>-</u>
Capital assets, being depreciated:				
Furniture and fixtures	19,530	-	-	19,530
Equipment	60,573	-	(39,488)	21,085
Software/Website	-	30,000	-	30,000
Leasehold improvements	103,169	-	-	103,169
Right to use assets	<u>901,560</u>	<u>27,120</u>	<u>(16,154)</u>	<u>912,526</u>
Total capital assets, being depreciated	<u>1,084,832</u>	<u>57,120</u>	<u>(55,642)</u>	<u>1,086,310</u>
Less accumulated depreciation for:				
Furniture and fixtures	(19,531)	-	-	(19,531)
Equipment	(46,109)	(4,080)	39,488	(10,701)
Software/Website	-	(2,500)	-	(2,500)
Leasehold improvements	(93,110)	(1,404)	-	(94,514)
Right to use assets	<u>(203,950)</u>	<u>(102,835)</u>	<u>16,154</u>	<u>(290,631)</u>
Total accumulated depreciation	<u>(362,700)</u>	<u>(110,819)</u>	<u>55,642</u>	<u>(417,877)</u>
Capital assets, net	<u>\$ 744,632</u>	<u>(53,699)</u>	<u>-</u>	<u>668,433</u>

Depreciation expense of \$110,819 was included in general government expense on the statement of activities.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(4) Insurance

Worker's Compensation Insurance is provided on behalf of the Commission by the County of Orange's insurance policy. The Commission pays its pro-rata share of insurance costs to the County. For coverage limits see the County of Orange Comprehensive Annual Financial Report. This report can be obtained at the Auditor-Controller County of Orange office located at Hall of Finance and Records, 1770 N. Broadway, Santa Ana, CA 92706.

The Commission has an insurance policy with the California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (JPRIMA) for excess liability insurance and property insurance. For general liability, the Commission maintains excess insurance coverage of \$10,000,000 with a self-insured retention of \$1,000,000 per occurrence.

(5) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2024</u>	Due Within <u>One Year</u>
Compensated absences	\$ 54,334	49,040	(54,313)	49,061	32,707
Lease – property	734,186	-	(83,569)	650,617	89,091
Lease – copier	<u>5,547</u>	<u>27,121</u>	<u>(6,356)</u>	<u>26,312</u>	<u>4,924</u>
Total	<u>\$ 794,067</u>	<u>76,161</u>	<u>(144,238)</u>	<u>725,990</u>	<u>126,722</u>

Leases

In October 2019, the Commission entered into a Second Amendment to Office Lease (property lease). Pursuant to the lease, the Commission is leasing approximately 2,700 square feet of office space located in Santa Ana, California. The lease term is extended through August 31, 2030. Monthly lease payments per the agreement range from \$7,997 to \$10,682. An annual discount rate of 3% was used in calculating the lease liability.

In February 2019, the Commission entered into an Agreement with Toshiba Financial Services to lease certain copier equipment. The lease had a term of 63 months with minimum monthly payments of \$470. An annual discount rate of 3% was used in calculating the lease liability. In March 2024, the Commission entered into a new Agreement with Toshiba Financial Services after the initial lease ended in June 2024. The lease had a term of 63 months with minimum monthly payments of \$460. An annual discount rate of 2.42% was used in calculating the lease liability.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(5) Long-Term Liabilities (Continued)

Annual debt service requirements are as follows:

Fiscal Year	Property			Copier		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 89,091	18,415	107,506	4,924	582	5,506
2026	95,113	15,644	110,757	5,044	462	5,506
2027	101,123	12,692	113,815	5,168	338	5,506
2028	107,652	9,486	117,138	5,294	212	5,506
2029	114,714	6,160	117,138	5,424	82	5,506
2030	142,924	2,704	266,502	458	1	459
Totals	\$ 650,617	65,101	832,856	26,312	1,677	27,989

(6) Retirement Plan*Plan Description*

All qualified full-time employees are eligible to participate in the Commission's General Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Orange County Employees Retirement System (OCERS). Benefit provisions under the Plans are established by State statute and Commission resolution. OCERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the OCERS website.

Benefits Provided

OCERS provides service retirement, disability, death, and survivor benefits to eligible employees. All regular full-time employees of the Commission who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. New members employed after January 1, 2013 are designated as PEPRAs subject to the provisions of California Government Code 7522 et seq. and AB 197. Members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Members who are hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit. All members can also retire at the age of 70 regardless of service. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, and retirement plan and tier.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(6) Retirement Plan (Continued)

OCERS provides an annual cost-of-living benefit to all retirees that is based upon the Consumer Price Index for All Urban Consumers for the Orange County-Riverside-Orange County Area and is capped at 3.0%.

The Plans' provisions and benefits in effect at June 30, 2024 are summarized as follows:

Hire date	Prior to <u>December 12, 2012</u>	After December 12, 2012 (Legacy OCERS Members) Plan P	On or After January 1, 2013 (New OCERS Members) Plan T PEPRA Compliant
Benefit formula	2.7%@55	1.62%@65	1.62%@65
Benefit vesting schedule	10 years of service	10 years of service	10 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 65	52-65
Monthly benefits, as a % of eligible	2.0% to 2.7%	0.79% to 1.62%	0.79% to 1.62%
Required employee contribution rates	10-17%	6-12%	5-9%
Required employer contribution rates	41.71%	27.14%	34.43%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate.

Funding contributions for all Plans are determined annually on an actuarial basis as of December 31 by OCERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The Net Pension Liability was measured as of December 31, 2023. The plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability was determined based on rolling forward the actuarial valuation as of December 31, 2022.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(6) Retirement Plan (Continued)

The following actuarial assumptions were applied to the December 31, 2023 measurement date:

Actuarial Cost Method	Entry-Age in accordance with the requirements of GASB Statement No. 68
Inflation	2.50%
Salary increases	General: 3.90% to 8.00%, vary by service, including inflation
Investment rate of return	7.00% net of pension plan investment expenses, including inflation

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.00% as of December 31, 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of December 31, 2023.

The long-term expected rate of return on pension plan investments, was determined using a building-block method in which expected future real rates of return (expected returns, inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized as:

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(6) Retirement Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	<u>100%</u>	

Allocation of Net Pension Liability

The proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The following table shows the Commission's proportionate share of the net pension liability over the measurement period:

	<u>Net Pension Liability</u>
Balance at: December 31, 2022	\$ 1,587,646
Balance at: December 31, 2023	<u>1,704,989</u>
Net change during 2023	<u>117,343</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(6) Retirement Plan (Continued)

The Commission’s proportionate share of the net pension liability for the Plan was as follows:

Proportion – December 31, 2022	0.029%
Proportion – December 31, 2023	0.035%
Change – Increase (Decrease)	0.006%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	Discount Rate – <u>1% (6.00%)</u>	Current Discount Rate (7.00%)	Discount Rate + <u>1% (8.00%)</u>
Actuarially-Determined Net Pension Liability	<u>\$ 2,724,090</u>	<u>1,704,989</u>	<u>871,902</u>

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(6) Retirement Plan (Continued)Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending December 31, 2023 (the measurement date), the Commission recognized pension expense of \$208,951 for the Plan.

As of the December 31, 2023 measurement date, the Commission reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Actual Contributions and Proportionate Share of Contributions	\$ 282,490	161,952
Differences between Expected and Actual Experience	85,267	3,954
Change of Assumptions	88,977	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>112,667</u>	<u>-</u>
Total	<u>\$ 569,401</u>	<u>165,906</u>

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

<u>Fiscal Year ended June 30</u>	<u>Deferred (Outflows) Inflows of Resources</u>
2025	\$ 78,364
2026	110,734
2027	193,121
2028	(1,368)
2029	22,644

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits*Plan Description*

The Commission's employees with at least one year of credit service as of June 1, 2023 may participate in a Retiree Medical Plan (Plan), a cost-sharing multiple-employer defined benefit post-employment healthcare plan. The Plan is offered and administered by the County of Orange. The County identifies this plan as a single-employer plan, as it is considered the primary plan participant and the other participating entities are considered immaterial to the Plan as a whole. The Plan assists retirees with the cost of retiree health insurance premiums and/or Medicare premiums.

On December 20, 2022, the County established the County-sponsored health reimbursement arrangement (HRA), and the Commission subsequently approved its participation in the HRA on April 12, 2023. The HRA is offered and administered by the County of Orange, and the Commission makes contributions through the HRA on behalf of its employees to assist with eligible medical expenses. There is no service requirement for the HRA benefit.

The Commission has the authority to amend benefit provisions to the HRA. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Medical Plan. That report may be obtained by writing Auditor-Controller's Office; County of Orange, 1770 N. Broadway, Santa Ana, California 92706 or accessed at its website: <http://www.ac.ocgov.com>.

Benefits Provided

Employees with at least one year of credit service as of June 1, 2023 and who are actively retired from the Commission and receiving a monthly retirement allowance from the Orange County Employees Retirement System (OCERS) may be eligible to receive a monthly grant through the Retiree Medical Plan to be used to offset the cost of OPEB.

Beginning July 1, 2023, the Commission began contributing \$60 each pay period for each full-time employee through the HRA offered and administered by the County. Part-time employees are eligible to receive \$30 each pay period. Beginning July 1, 2024, contributions made by the Commission on behalf of employees will experience an annual increase of 2.5% unless otherwise amended by the Commission. Funds within the HRA are only available to employees upon separation from the Commission and to assist with eligible medical expenses.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits (Continued)*Employees Covered*

As of the December 31, 2023 measurement date, the following current and former employees were covered by the benefit terms under the Retiree Healthcare Plan:

Active employees	5
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>5</u>

Contributions

Contribution requirements of the Commission are established by the County of Orange. The Commission's contractually required contribution rate for the year-ended June 30, 2024 was 1.34 percent of covered payroll, actuarially determined as an amount that is expected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Contributions to the OPEB plan from the Commission were \$19,180 for the fiscal year ended June 30, 2024. Currently, contributions are not required from plan members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, the Commission reported a liability of \$85,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2023, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The Commission's proportion of the collective net OPEB liability was based on a projection of the Commission's share of contributions to the OPEB plan relative to the project contributions of all participating employers, actuarially determined. At December 31, 2023 and 2022, the Commission's proportion was 0.037% percent and 0.040%, respectively.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits (Continued)

For the fiscal year ended June 30, 2024, the Commission had an OPEB credit of (\$49). As of fiscal year ended June 30, 2024, the Commission reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 8,874	-
Changes of assumptions	6,000	4,000
Change in proportion	21,000	10,000
Difference between expected and actual experience	-	25,000
Net difference between projected and actual earnings on OPEB plan investments	3,000	-
Total	<u>\$ 38,874</u>	<u>39,000</u>

The \$8,874 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year ended</u> <u>June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2025	\$ (3,000)
2026	(2,000)
2027	3,000
2028	1,000
2029	(4,000)
Thereafter	(4,000)

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits (Continued)Actuarial Assumptions

The Commission's total OPEB liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial methods and assumptions:

Discount Rate	7.00%
Long-Term Expected Rate of Return on Investments	7.00%, net of investment expenses
Inflation	2.50% annually
Salary Increases	3.00%, annually
Grant Increase Rate	AFSCME – lesser of 5% and Medical Trend Non-AFSCME – 0% or lesser of 3% and Medical Trend
Medical Trend	Non-Medicare – 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) – 7.50% for 2025, decreasing to an ultimate rate 3.45% in 2076 Medicare (Kaiser) – 6.25% for 2025, decreasing to an ultimate rate 3.45% in 2076

Mortality rates were based on the OCERS 2017-2019 Experience Study, as appropriate, with adjustments for mortality improvements based on Scale MP-19.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits (Continued)

The target asset allocation and expected long term rate of return were based on Segal Consulting's 2014-2016 Experience Study for OCERS. The long term expected real rate of return assumptions are presented as arithmetic means as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	<u>100%</u>	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Rate of Inflation		7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Notes to the Basic Financial Statements

Year ended June 30, 2024

(Continued)

(7) Other Post-Employment Benefits (Continued)*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OCERS financial report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	Discount Rate – 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Commission's proportionate share of the Net OPEB Liability	<u>\$108,000</u>	<u>85,000</u>	<u>66,000</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Commission if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended December 31, 2023:

	1% decrease 6.5%/5.5% decreasing to 3%	Current Healthcare Cost Trend Rate 7.5%/6.5% decreasing to 4%	1% increase 8.5%/7.5% decreasing to 5%
Commission's proportionate share of the Net OPEB Liability	<u>\$80,000</u>	<u>85,000</u>	<u>92,000</u>

(8) Related Party Transactions

The Commission and the County entered into a County Services Agreement to provide workers' compensation insurance, employee benefits administration, payroll, information technology support, and billing and collection services. The total amount paid by the Commission to the County for the year ended June 30, 2024 was \$17,984.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

Last Ten Fiscal Years

	<u>Measurement Date</u>				
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Proportion of the Collective Net Pension Liability	0.035%	0.029%	0.045%	0.030%	0.029%
Proportionate Share of the Collective Net Pension Liability	\$ 1,704,989	1,587,646	912,794	1,248,133	1,489,642
Covered Payroll	\$ 535,842	488,433	445,095	463,507	475,099
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	318.19%	325.05%	205.08%	269.28%	313.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.81%	73.88%	91.45%	76.95%	73.18%

Notes to Schedule:

Benefit Changes – There were no changes in benefits

Changes in Assumptions – The discount rate was reduced from 7.25% as of December 31, 2016 to 7.00% as of December 31, 2017. The inflation rate was reduced from 3.00% as of December 31, 2016 to 2.75% as of December 31, 2017. Salary increases were increased from 4.50% to 13.50% as of December 31, 2016 to 4.25% to 12.25% as of December 31, 2017.

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date

Last Ten Fiscal Years

(Continued)

Measurement Date

	December <u>31, 2018</u>	December <u>31, 2017</u>	December <u>31, 2016</u>	December <u>31, 2015</u>	December <u>31, 2014</u>
Proportion of the Collective Net Pension Liability	0.026%	0.026%	0.026%	0.020%	0.026%
Proportionate Share of the Collective Net Pension Liability	\$1,582,703	1,267,133	1,340,888	1,156,534	\$1,303,484
Covered Payroll	\$ 419,538	394,760	374,792	287,698	\$ 334,804
Proportionate Share of the Collective Net Pension Liability as percentage of covered payroll	377.25%	320.99%	357.77%	402.00%	389.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	74.93%	68.69%	64.73%	67.15%

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Contributions – Defined Benefit Pension Plan

Last Ten Fiscal Years

	Fiscal Year <u>2023-24</u>	Fiscal Year <u>2022-23</u>	Fiscal Year <u>2021-22</u>	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2019-20</u>
Actuarially Determined Contribution	\$221,000	182,000	184,000	145,000	139,000
Contributions in Relation to the Actuarially Determined Contribution	<u>221,000</u>	<u>182,000</u>	<u>184,000</u>	<u>145,000</u>	<u>139,000</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered Payroll	\$535,842	556,543	512,901	445,095	488,943
Contributions as a Percentage of Covered Payroll	41.24%	32.70%	35.87%	32.58%	28.43%

Notes to Schedule:

Fiscal Year End: June 30, 2024
Valuation Date: December 31, 2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	5-year smooth market
Discount Rate	7.00%
Projected Salary Increase	4.00% to 11.00% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Plan Contributions – Defined Benefit Pension Plan

Last Ten Fiscal Years

(Continued)

	Fiscal Year <u>2018-19</u>	Fiscal Year <u>2017-18</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2014-15</u>
Actuarially Determined Contribution	\$120,000	116,000	115,921	93,000	104,000
Contributions in Relation to the Actuarially Determined Contribution	<u>120,000</u>	<u>116,000</u>	<u>115,921</u>	<u>93,000</u>	<u>104,000</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Covered Payroll	\$ 411,308	405,196	389,422	340,997	352,758
Contributions as a Percentage of Covered Payroll	29.17%	28.63%	29.77%	27.27%	29.48%

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of the Proportionate Share of the Net OPEB Liability and Related Ratios
as of the Measurement Date

Last Ten Fiscal Years*

	Measurement Date		
	December <u>31, 2023</u>	December <u>31, 2022</u>	December <u>31, 2021</u>
Proportion of the Collective Net OPEB Liability	0.0400%	0.0400%	0.0400%
Proportionate Share of the Collective Net OPEB Liability	\$85,000	119,000	103,000
Covered-Employee Payroll	\$505,000	474,000	433,000
Proportionate Share of the Collective Net OPEB Liability as a Percentage of Covered-Employee Payroll	16.83%	25.11%	23.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	68.68%	56.74%	65.43%

Notes to Schedule:

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – Medical trend and Medicare Part B trend were updated, decreasing to an ultimate rate of 3.45% in 2076.

**Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of the Proportionate Share of the Net OPEB Liability and Related Ratios
as of the Measurement Date

Last Ten Fiscal Years*

(Continued)

	Measurement Date			
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Proportion of the Collective Net OPEB Liability	0.0328%	0.0311%	0.0305%	0.0324%
Proportionate Share of the Collective Net OPEB Liability	\$109,593	110,526	126,448	130,408
Covered-Employee Payroll	\$440,000	435,000	407,000	387,000
Proportionate Share of the Collective Net OPEB Liability as a Percentage of Covered-Employee Payroll	24.91%	25.41%	31.07%	33.70%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.93%	51.87%	42.55%	42.30%

Notes to Schedule:

Benefit Changes – There were no changes in benefits.

Changes in Assumptions – Medical trend and Medicare Part B trend were updated, decreasing to an ultimate rate of 3.45% in 2076.

**Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions – OPEB Plan

Year ended June 30, 2024

	Fiscal Year <u>2023-24</u>	Fiscal Year <u>2022-23</u>	Fiscal Year <u>2021-22</u>
Actuarially Determined Contribution	\$ 15,000	17,000	16,000
Contributions in Relation to the Actuarially Determined Contribution	<u>15,000</u>	<u>17,000</u>	<u>16,000</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
Covered-Employee Payroll	\$ 521,000	509,000	501,000
Contributions as a Percentage of Covered-Employee Payroll	2.88%	3.34%	3.19%

Notes to Schedule:

Fiscal Year End: June 30, 2024
Valuation Date: June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	5-year smooth market
Discount Rate	7.00%
Inflation	2.50%
Mortality	OCERS 2017-2019 experience study
Medical Trend	Non-Medicare – 8.5% for 2025, decreasing to an ultimate rate 3.45% in 2076
	Medicare (Non-Kaiser) – 7.5% for 2025, decreasing to an ultimate rate 3.45% in 2076
	Medicare (Kaiser) – 6.25% for 2025, decreasing to an ultimate rate 3.45% in 2076

**Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Contributions – OPEB Plan

Year ended June 30, 2024

(Continued)

	Fiscal Year <u>2020-21</u>	Fiscal Year <u>2019-20</u>	Fiscal Year <u>2018-19</u>	Fiscal Year <u>2017-18</u>
Actuarially Determined Contribution	14,000	18,000	17,440	16,354
Contributions in Relation to the Actuarially Determined Contribution	<u>14,000</u>	<u>18,000</u>	<u>17,440</u>	<u>16,354</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-Employee Payroll	433,000	483,000	440,000	396,000
Contributions as a Percentage of Covered-Employee Payroll	3.23%	3.73%	3.96%	4.13%

Notes to Schedule:

Fiscal Year End: June 30, 2024
Valuation Date: June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	5-year smooth market
Discount Rate	7.00%
Inflation	2.50%
Mortality	OCERS 2017-2019 experience study
Medical Trend	Non-Medicare – 8.5% for 2025, decreasing to an ultimate rate 3.45% in 2076
	Medicare (Non-Kaiser) – 7.5% for 2025, decreasing to an ultimate rate 3.45% in 2076
	Medicare (Kaiser) – 6.25% for 2025, decreasing to an ultimate rate 3.45% in 2076

**Fiscal year 2018 was the first year of implementation, therefore only seven years are shown.*

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General FundYear ended June 30, 2024
(with comparative information for the prior year)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Apportionments	\$ 1,411,890	1,411,890	1,411,890	-	1,227,730
Investment income	14,200	14,200	77,580	63,380	40,360
Other	-	-	393	393	105
Total revenues	<u>1,426,090</u>	<u>1,426,090</u>	<u>1,489,863</u>	<u>63,773</u>	<u>1,268,195</u>
Expenditures:					
General government:					
Salaries and benefits	1,045,370	1,045,370	919,887	125,483	916,160
Service and supplies	699,110	699,110	427,716	271,394	481,128
Debt service:					
Principal	-	-	89,925	(89,925)	83,593
Interest	-	-	21,082	(21,082)	23,557
Total expenditures	<u>1,744,480</u>	<u>1,744,480</u>	<u>1,458,610</u>	<u>285,870</u>	<u>1,504,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(318,390)</u>	<u>(318,390)</u>	<u>31,253</u>	<u>349,643</u>	<u>(236,243)</u>
Other financing sources (uses):					
Issuance of lease	-	-	27,121	27,121	-
Net change in fund balances	(318,390)	(318,390)	58,374	349,643	(236,243)
Fund balances at beginning of year	<u>1,363,774</u>	<u>1,363,774</u>	<u>1,363,774</u>	<u>-</u>	<u>1,600,017</u>
Fund balances at end of year	<u>\$ 1,045,384</u>	<u>1,045,384</u>	<u>1,422,148</u>	<u>349,643</u>	<u>1,363,774</u>

ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION**Notes to Required Supplementary Information****Year ended June 30, 2024****(1) Budgetary Reporting**

The Commission established accounting control through formal adoption of an annual budget for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The adopted budget can be amended by the Commission to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require Commission's approval. However, the Executive Officer may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the Commission's management to review the budget monthly and provide quarterly updates to the Commission. A budget is not prepared for the Special Revenue Fund.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
 Orange County Local Agency Formation Commission
 Santa Ana, California

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Orange County Local Agency Formation Commission (the "Commission"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
November 15, 2024

REGULAR MEMBERS

CHAIR

Donald P. Wagner

County Member

VICE CHAIR

Wendy Bucknum

City Member

IMMEDIATE PAST CHAIR

Douglas Davert

Special District Member

James Fidler

Special District Member

Peggy Huang

City Member

Derek J. McGregor

Public Member

VACANT

County Member

ALTERNATES

Katrina Foley

County Member

Kathryn Freshley

Special District Member

Carol Moore

City Member

Lou Penrose

Public Member

STAFF

Carolyn Emery

Executive Officer

Scott Smith

General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Assistant Executive Officer

SUBJECT: FY 24-25 Mid-Year Work Plan Update

BACKGROUND

On August 10, 2022, the Commission approved the 2022-2025 OC LAFCO Work Plan. The Plan identifies key objectives for the implementation of the agency’s goals outlined in the three-year Strategic Plan. At mid-point of each fiscal year, staff provides a report to the Commission on the status of the objectives, as well as applications filed with the agency. This report provides an update on the activities of the work plan through the end of 2024.

DISCUSSION

Project Applications

In accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH Act”), OC LAFCO is required to efficiently process applications for changes of organization or reorganization. Because of statutory timelines, filed applications take precedence over other agency activities and projects. During the current fiscal year, staffing resources have been attributed to an application filed by the Orange County Water District (OCWD) to conduct a municipal service review involving the feasibility of potential consolidation of OCWD and the Municipal Water District of Orange County. The process also includes a comprehensive review of the services and operations of OCWD in part to the MSR schedule adopted by the Commission. The Public Review Draft MSR report was released for a 45-day comment period from November 15 through December 30. A final MSR draft is expected to be presented to the Commission during the general meeting in February.

In addition to processing the noted application, staff anticipates receiving at least three annexation applications during the current fiscal cycle and an application involving the authorization to provide parks and recreation services. Also, staff will be following up on previous dialogue with the City of Westminster regarding the potential annexation of unincorporated areas within the city's sphere of influence.

2022-2025 Strategic Plan Goals

This section of the report provides summaries of the progress of the Commission's multi-year work plan that has occurred since its approval in August 2022. The approved plan may also be referenced through **Attachment 1 (pages 4-7)** to this report.

Staff Development, Retention and Recruitment

Efforts focused on staff development and retention continued during the current fiscal year through the following efforts:

- ✓ Staff development in mapping, human resources, and leadership areas through participation in the Environmental Systems Research Institute (ESRI) webinars, California State University Human Resources Extension certificate program, and participation in regional conferences.
- ✓ Ongoing cross-training of staff in budgeting, auditing, digital archiving and legislative affairs areas.

An additional objective for this goal identified by the Commission within the current work plan is to update the classification, compensation, and benefits assessment approved by the Commission in March 2018. Staff will present a professional service contract with Kelly Associates Management Group LLC to conduct the assessment for Commission consideration during the general meeting on January 8, 2025.

Improve Municipal Service Review (MSR) Process for Future MSRs

As a key mandate for the Commission, the following activities involving MSRs and this goal were completed during the first half of the current fiscal cycle:

- ✓ **Completion of MSRs**
To date, the Commission has completed fourth cycle MSRs for 13 cities and 16 special districts. Staff is currently working on the MSR process for two regional special districts, Orange County Water District (OCWD) and Orange County Mosquito Vector District (OCMVCD) and the Central Region MSR. It is anticipated that the MSR for OCWD will be presented to the Commission in February, and the OCMVCD and Central MSRs will come before the Commission in early spring of 2025. Through a robust schedule and committed resources, it is anticipated that only three regions (Southeast, Coastal and North) will remain in the Commission's MSR queue by the summer of 2025. Completion of the multiple MSRs represents a huge milestone for the Commission's three-year goals. For reference, the MSR Schedule is attached to this report.

✓ **Web-based Programs**

The fiscal indicators, shared services and MS dashboard web-based programs were completed. The programs are available for viewing fiscal data for Orange County's cities and special districts, search the world of municipal service delivery, and our local agencies may continue exploring the platform for shared services opportunities.

Promote Legislative Engagement

During the first half of the current work plan cycle, as with previous others, activity of the legislative front has been relatively quiet. This is attributed to the 2024 legislative session concluding in September and Legislature starting its winter recess in December. OC LAFCO staff and Commissioner McGregor will continue to participate in the CALAFCO legislative committee, and through their participation, will monitor legislation that may impact LAFCOs both locally and across the State, and provide legislative reports to the Commission during the latter part of the current fiscal cycle.

Optimize External Communication

Objectives set by the Commission for this goal are intended to raise awareness of OC LAFCO's project and activities through ongoing communication and outreach to our local agencies and communities. Halfway through the current work plan cycle, the following objectives have been met:

- ✓ The Fall Edition of The Pulse was published and distributed to local agencies and other interested parties.
- ✓ Consultants completed the enhancements to the agency's website.

The effort to optimize the Commission's communications resources will be continued during the latter part of the fiscal cycle through meetings with legislators and stakeholders to inform them of OC LAFCO's role, projects, and key resources.

SUMMARY

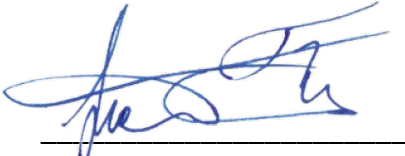
During the second half of the current fiscal cycle, staff will continue to focus on the objectives of the Commission's multi-year strategic plan. Projects and activities will include: processing of filed applications, continued conducting of MSRs, engaging County and cities on potential unincorporated island annexations, and meetings with legislators and stakeholders to enhance understanding of OC LAFCO's purpose and resources. The next update on the OC LAFCO work plan will be given in part to the agency's fiscal year-end comprehensive report.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the FY 24-25 Mid-Year Work Plan Update.

Respectfully submitted,



LUIS TAPIA

Attachments:

1. 2022-2025 Strategic Plan and Work Plan
2. OC LAFCO MSR Schedule (Upd. January 2025)

2022-2025 Work Plan

As directed by the Commission, the five goals identified by the Board have been refined by staff and KAMG to allow for implementation of respective objectives to effectively accomplish each goal. As a note, goals #2 and #5 were combined for efficiency as both are relative to the Commission's goal to improve the MSR process.

The 2022-2025 Work Plan depicted in the following section clearly defines the agency's goals, objectives, and schedules over the next three years. As a note, the multi-year work plan may be amended, if warranted, by the Commission.

GOAL 1:**Staff Development, Retention and Recruitment**

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
1.1	EO	Conduct Classification, Compensation and Benefits Assessment.	Consultant	2023-2024	Not started
1.2	EO/AEO/CC	Complete staff assessment and conduct recruitment for vacancy(ies).	Consultant	2022-2023	Staff assessment complete. Analyst recruitment complete.
1.3	EO/CC	Complete cross-training of staff in budgeting and auditing areas.		2022-2023	Complete

GOAL 2:

Improve Municipal Service Review (MSR) Process For Future MSRs


Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
2.1	All	Create MSR schedule that eliminates the MSR cycles and identifies the next scheduled comprehensive MSR as five years from last date of agency MSR and SOI review.		2022-2025	Complete
2.2	EO/AEO/ Analyst	Develop criteria for conducting the following MSR and SOI review processes for future reviews: <ol style="list-style-type: none"> 1. Comprehensive 2. Reconfirm 3. Update 	Consultant	2025	Not started
2.3	AEO/Analyst	Develop and distribute the following MSR questionnaires: <ol style="list-style-type: none"> 1. Pre-MSR/SOI – to assess which process will be conducted. 2. Post-MSR/SOI -- to receive feedback on the MSR/SOI process. 		2025 2022	Not started Complete
2.4	AEO/Analyst	Continued use of web-based programs (fiscal indicators, shared services, and MS dashboard) to maintain agency data for MSR determinations.		2022-2025	Upgrades of programs complete. <i>Maintenance of programs ongoing.</i>
2.5	AEO/Analyst/CC	Present year-end report to the Commission that provides analytics on MSR agency feedback and the use of the agency's web-based programs.		2023-2025	Completed annually.

GOAL 3: Promote Legislative Engagement

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
3.1	Commissioners/ EO/AEO	Establish a legislative ad-hoc committee to develop engagement principles and guidelines involving external organizations (CSDA, CSAC, League of CA Cities, OC League of CA Cities).		2022-2023	Complete
3.2	EO/AEO	Monitor key legislation of LAFCO-interest through participation on CALAFCO legislative and advisory committees.		2022-2025	Completed annually.

GOAL 4: Optimize External Communication

Obj. No.	Staff Assigned	Objective Description	Resources	Schedule	Status
4.1	All	Use agency communications tools (bi-annual news, website, video FAQs, fiscal indicators and shared services programs) to engage agencies and public to inform of OC LAFCO activities.		2023-2025	Complete Ongoing
4.2	Analyst/CC	Conduct visits and disseminate media kits to OC legislators and stakeholders.		2023-2025	Complete
4.3	Analyst	Deploy video FAQs on website to inform OC LAFCO stakeholders.	Consultant	2022	Complete
4.4	EO/Analyst	Distribute bi-annual news to inform of OC LAFCO activities.	Consultant	2022-2025	"The Pulse" published twice each year.


 OC LAFCO 4TH Cycle - Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program YEAR 2024-25			
MSR Region	Areas of Interest	Cities	Special Districts
Orange County Water District <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Water: recycled water efforts, addressing the drought and water conservation. ■ Use of MSRs as a tool/resource to update on services provided by the district. ■ Focused review of potential consolidation of OCWD and MWDOC 		Countywide District
Central <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Police ■ Public Works <ol style="list-style-type: none"> 1. Affordable housing. 2. Lack of alignment regarding Infrastructure limitations and legislative mandates on affordable and regular housing. 3. Population growth demands on existing infrastructure. ■ Accessory dwellings’ impact on service delivery. 	Anaheim Irvine Orange Santa Ana Tustin Villa Park	East Orange County WD Irvine Ranch WD Serrano WD Silverado-Modjeska Parks & Rec. District
Southeast	<ul style="list-style-type: none"> ■ Public Works <ol style="list-style-type: none"> 1. Location and condition of public infrastructure. ■ Police <ol style="list-style-type: none"> 1. Fiscal sustainability of increasing costs of contracts with County Sheriff. 2. Impacts of and ability to maintain related pension costs. ■ Water <ol style="list-style-type: none"> 1. Water quality involving low flow run-off issues. 2. Assistance for agencies from treatment agencies on flow diversion and low flow funding mechanisms. 1. Water rate structures and conservation. 	Lake Forest Mission Viejo Rancho Santa Margarita San Clemente San Juan Capistrano	El Toro WD Irvine Ranch WD Moulton Niguel WD Santa Margarita WD South Coast WD Trabuco Canyon WD South Orange County Wastewater Authority(JPA)
Orange County Vector Control District <i>(in-progress)</i>	<ul style="list-style-type: none"> ■ Public Works: mosquito breeding and conveyance systems. ■ Parks and Recreation: mosquito breeding and lack of grounds maintenance. 		Countywide District




OC LAFCO
4TH Cycle - Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program

YEAR 2024-25

MSR Region	Areas of Interest	Cities	Special Districts
North	<ul style="list-style-type: none"> ■ Fire and Emergency Response <ol style="list-style-type: none"> 1. Integration of fire and water services for more effective response during emergency and disaster events. 2. Consolidation of internal services (i.e. procurement, HR, training). 3. Regionalization of service delivery involving medical calls and reduction in costs. 4. Maintaining of adequate fire suppression. ■ Police <ol style="list-style-type: none"> 1. Consolidation of specialty services that may include: CSI, dispatch, commercial and traffic enforcement. 2. External issues involving consolidation of departments. ■ Shared Services <ol style="list-style-type: none"> 1. Maximizing of funding opportunities supported by County for unincorporated islands. 2. Shared service models to increase funding for additional services that may include: IT, purchasing, training, HR, class comps. ■ Development of shared services system for areas such as: landscape and fleet maintenance. 	<p>Brea Fullerton La Habra Placentia Yorba Linda</p>	<p>Placentia LD Yorba Linda WD</p>
Coastal	<ul style="list-style-type: none"> ■ Public Works <ol style="list-style-type: none"> 1. Public outreach for better understanding of the financing of infrastructure. 2. Correlation of level and cost of services. 3. Economies of scale and potential shared services system for areas such as: fleet, tree trimming, and purchasing. ■ Solid Waste <ol style="list-style-type: none"> 1. Impacts of having fewer haulers on competitive bidding and rates. ■ Parks and Recreation ■ Police <ol style="list-style-type: none"> 2. Impediments involving consolidation of agencies Shared services database that includes: operational and staffing costs; population growth impacts on infrastructure and land use. 	<p>Costa Mesa Huntington Beach Los Alamitos Newport Beach Seal Beach</p>	<p>Costa Mesa SD Irvine Ranch WD Mesa WD Rossmoor CSD Rossmoor/Los Alamitos SD Sunset Beach SD Surfside Colony CSD Surfside Colony SWSD</p>

 <p style="text-align: center;">OC LAFCO Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program</p> <p style="text-align: center;">COMPLETED MSR's</p>				
MSR Region	Services Provided	MSR Approved	SOI Status	Next Scheduled MSR
County Service Area Nos. 13, 22, and 26	Fund wastewater and park and recreation services countywide and within unincorporated areas adjacent to the cities of Buena Park and Yorba Linda.	August 2022	Reconfirmed	2027
Municipal Water District of Orange County	Manages Orange County's imported water supply and resource planning, with the exception of the cities of Anaheim, Fullerton, and Santa Ana.	September 2020	Reconfirmed	2025
Orange County Cemetery District	Owns and operates three public cemeteries located in the cities of Anaheim, Lake Forest and Santa Ana.	October 2022	Reconfirmed	2027
Orange County Sanitation District	Provides regional sewer collection and treatment for 20 cities, four special districts (containing five cities), and several unincorporated areas generally located in the northern and central parts of the County.	September 2020	Reconfirmed	2025

 <p style="text-align: center;">OC LAFCO Municipal Service Review (MSR) and Sphere of Influence Update (SOI) Program</p> <p style="text-align: center;">COMPLETED MSRs</p>					
MSR Region	Cities	Districts	MSR Approved	SOI Status	Next Scheduled MSR
Southwest	Aliso Viejo Dana Point Laguna Beach Laguna Hills Laguna Niguel Laguna Woods	Capistrano Bay CSD Emerald Bay CSD El Toro WD Laguna Beach County WD Moulton Niguel WD South Coast WD Three Arch Bay CSD JPA: South Orange County Wastewater Authority	August 2023	All city and six special district SOIs reconfirmed. South Coast SOI continued to discuss South Laguna annexation.	2028
West	Cypress Buena Park Garden Grove Fountain Valley La Palma Stanton Westminster	Buena Park LD Cypress Rec. & Park District Garden Grove SD Midway SD	September 2023	All city and special district SOIs reconfirmed.	2028

REGULAR MEMBERS

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County Member

VICE CHAIR
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Special District Member

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ALTERNATES

Kathryn Freshley
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Lou Penrose
Public Member

VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Assistant Executive Officer

SUBJECT: Agreement with Kelly Associates Management
Group for an Employee Classification and
Compensation Assessment

BACKGROUND

During the Strategic Planning session in 2022, the Commission determined it was important to periodically review the agency's employee classification and compensation structure to ensure positions are accurately classified and the agency remains competitive to retain and attract qualified employees. Therefore, the Commission identified an employee classification and compensation assessment as an objective under *Goal One: Staff Development, Retention and Recruitment* incorporated as part of the Commission's 2022-2025 Work Plan.

The agency's existing employee classification and compensation structure was developed in part to a comprehensive Organization Assessment conducted by Kelly Associates Management Group LLC (KAMG) and approved by the Commission in 2018. Considering KAMG's experience in organizational and human resource management for local governments and familiarity with OC LAFCO, staff contacted KAMG for a proposal to conduct a follow-up assessment that would focus on reviewing LAFCO's employee classification and compensation structure. The next section of the report provides additional details on the proposal provided by KAMG and staff's recommendation to approve an agreement with KAMG to conduct the assessment.

DISCUSSION

KAMG's assessment will examine how current employee classifications are defined considering the agency's needs, desired skill levels/qualifications, employee responsibilities, essential job functions, allocation of workload, and internal compatibility among different classifications. Based on identified levels of responsibility, required skills, and performance expectations, KAMG will assess employee compensation in light of comparable positions among other LAFCOs.

In part to the assessment, KAMG will compare OC LAFCO's employee position classifications and compensations with similar LAFCOs, including Los Angeles, Riverside, San Bernardino, San Diego, Santa Clara, and Ventura.

The professional services agreement for the preparation of the assessment is referenced as **Attachment 1** to this report. Staff is recommending the Commission approve the agreement for a total amount not to exceed \$30,000.

RECOMMENDED ACTION

1. Approve the professional services agreement with Kelly Associates Management Group LLC for services referenced in Attachment 1 and authorize the Executive Officer to execute the agreement.

Respectfully Submitted,



LUIS TAPIA

Attachment:

1. Form of Professional Services Agreement with Kelly Associates Management Group.

**AGREEMENT FOR SERVICES BETWEEN
ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION
AND
KELLY ASSOCIATES MANAGEMENT GROUP LLC**

This Agreement is made effective January 8, 2025 by and between ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as “LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (Government Code Sections 56000 et seq.), and Kelly Associates Management Group LLC (“Consultant”).

RECITALS

A. LAFCO is a public agency of the State of California and is in need of professional consulting services for a Classification and Compensation Assessment (hereinafter referred to as “the Project”).

B. Consultant is qualified by virtue of experience, training, education and expertise to provide such services.

C. This Agreement is to establish the terms and conditions for LAFCO to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Term and Time of Performance.

The term of this Agreement shall be from January 8, 2025 through May 31, 2025, unless terminated in accordance with the procedures outlined in Section 12 of this Agreement. Consultant shall perform its services hereunder in a prompt and timely manner and shall commence performance upon the execution of this Agreement.

2. Services.

Consultant shall provide LAFCO with the services described in the Scope of Services attached hereto as Exhibit “A” and incorporated herein by reference.

3. Compensation.

a. Subject to paragraph 3(b) below, LAFCO shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit “B”, attached hereto and incorporated herein by reference.

b. In no event shall the total amount paid for services rendered by Consultant pursuant to Exhibit "A" exceed the sum of \$30,000 over the term of the Agreement without advanced written approval in the form of an amendment to this Agreement.

c. Consultant shall submit to LAFCO a statement for services rendered at the expiration of the term of the Agreement. LAFCO shall cause payment to be made to Consultant within thirty (30) working days from receipt of statement for services and LAFCO's determination that Consultant has adequately performed those services for which LAFCO has been invoiced.

4. Delays in Performance.

Neither LAFCO nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

5. Compliance with Law.

Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government.

6. Standard of Care.

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

7. Independent Contractor.

It is agreed that Consultant shall act and be an independent contractor and is not an agent or employee of LAFCO and is not entitled to participate in any compensation plans or other benefits LAFCO provides for its employees. All services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the services, subject to the requirements of this Agreement. Any additional personnel performing the services under this Agreement on behalf of Consultant shall also not be employees of LAFCO and shall at all times be under Consultant's exclusive direction and control. Consultant shall be responsible for all reports and obligations respecting such personnel, including but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance and workers' compensation insurance.

8. Integration.

This Agreement represents the entire understanding of LAFCO and Consultant as to those matters contained herein, and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties hereto. This is an integrated Agreement.

9. Insurance.

Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, all insurance set forth in Exhibit "C" hereto and incorporated herein by reference, in a form and with insurance companies acceptable to LAFCO.

10. Indemnification.

To the fullest extent permitted by law, Consultant shall defend, indemnify and hold LAFCO, its Board, members of the Board, employees, and authorized volunteers free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorney's fees and other related costs and expenses. Notwithstanding the foregoing, to the extent Consultant's services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant.

In addition, Consultant shall defend, with counsel of LAFCO's choosing and, to the extent permitted by Civil Code Section 2782.8, at Consultant's own cost, expense and risk, any and all claims, suits, actions or other proceedings of every kind covered by this section that may be brought or instituted against LAFCO or its Board, members of the Board, employees, and authorized volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against LAFCO or its Board, members of the Board, employees, and authorized volunteers as part of any such claim, suit, action or other proceeding. Consultant shall also reimburse LAFCO for the cost of any settlement paid by LAFCO or its Board, members of the Board, employees, or authorized volunteers as part of any such claim, suit, action or other proceeding. Such reimbursement shall include payment for LAFCO's attorney's fees and costs, including expert witness fees. Consultant shall reimburse LAFCO and its Board, members of the Board, employees, and/or authorized volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by LAFCO, its Board, members of the Board, employees, or authorized volunteers.

11. Laws, Venue, and Attorneys' Fees.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Orange, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorney's fees, as determined by the court.

12. Termination or Abandonment.

a. LAFCO may terminate this Agreement for any reason or no reason by giving thirty (30) calendar days' written notice of termination. LAFCO shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by LAFCO and Consultant of the portion of such task completed but not paid prior to said termination. LAFCO shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to LAFCO only in the event of substantial failure by LAFCO to perform in accordance with the terms of this Agreement through no fault of Consultant.

13. Key Personnel.

Consultant shall assign William Kelly as the Principal Consultant. The Principal Consultant shall not be removed from the Project or reassigned without the prior written consent of LAFCO.

14. Notice.

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

LAFCO:
Attn: Carolyn Emery, Executive Officer
LAFCO
2677 North Main Street, Suite 1050
Santa Ana, CA 92705

Consultant:
Attn: William Kelly, President
Kelly Associates Management Group LLC
1440 North Harbor Boulevard, Suite 900
Fullerton, CA 92835

and shall be effective upon receipt thereof.

15. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than LAFCO and the Consultant.

16. Severability.

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

17. Acknowledgment.

Consultant acknowledges that by executing this agreement, they are also, in good faith, determining that the appointment meets each of the requirements set forth in Government Code Section 7522.56, including the unemployment insurance requirement. That is, while LAFCO is not in a position to do so, by signing the acknowledgement at the conclusion of this agreement, the Consultant is certifying that they have not received unemployment insurance payments within the past 12 months arising from work performed as a retiree for any public employer. LAFCO has no way of monitoring the hours that Consultant works for another OCERS employer. As such, it is the responsibility of the Consultant to ensure that the total hours worked for LAFCO and any other OCERS employer do not exceed 960 hours in the aggregate during the fiscal year.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ORANGE COUNTY LOCAL AGENCY
FORMATION COMMISSION**

**KELLY ASSOCIATES MANAGEMENT
GROUP, LLC**

By: _____
Carolyn Emery, Executive Officer
for the Orange County Local Agency
Formation Commission

By: _____
William R. Kelly, President

Dated: _____

Dated: _____

Approved as to form:

General Counsel, Orange County Local
Agency Formation Commission

**EXHIBIT “A”
SCOPE OF SERVICES**

Scope of Work

The consultant, Kelly Associates Management Group LLC, shall work under the direction of the Executive Officer of the Orange County Local Agency Formation Commission (“LAFCO”) and shall provide the services listed below. In no case shall the consultant charges exceed \$30,000, including all meeting and reimbursable expenses. Consultant’s scope of services shall include the following three tasks:

Task	Description
1	Classification Study, Update, and Recommendation
2	Compensation Study and Recommendations

EXHIBIT "B"
SCHEDULE OF CHARGES

Professional Fees
for
KELLY ASSOCIATES MANAGEMENT GROUP
LLC

The Professional Fees will be paid as follows:

- 25% of the fixed fee amount (\$7,500) upon execution by LAFCO
- 25% of the fixed fee amount (\$7,500) upon presentation of draft findings to LAFCO
- 50% of the fixed fee amount (\$15,000) upon presentation of a final report to the Commission

Consultant shall submit a statement for services to LAFCO pursuant to paragraph 3(c) for the life of the Project or termination of the Agreement pursuant to paragraph 12 of the Agreement. Statements for services shall itemize charges as they relate to the completion of tasks defined in Exhibit A. Statements for services shall reflect the services performed under this Agreement, in accordance with the schedule of charges set forth in this Exhibit B, and subject provisions of Section 2 of this agreement.

**EXHIBIT “C”
INSURANCE REQUIREMENTS**

1. Commercial General Liability

- a. The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to LAFCO.
- b. Coverage for Commercial General Liability insurance shall be at least as broad as the following: ISO Commercial General Liability coverage (Occurrence Form CG 0001)
- c. Commercial General Liability Insurance must include coverage for the following:
 - i. Bodily Injury and Property Damage
 - ii. Personal Injury/Advertising Injury
 - iii. Premises/Operations Liability
- d. All such policies shall give LAFCO, its Board, members of the Board, employees, and authorized volunteers insured status using ISO endorsement CG2010, CG2033, or equivalent.
- e. The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

2. Workers' Compensation/Employer's Liability

- a. Consultant further certifies and acknowledges that he/she has no employees and that he/she will not employ any person(s) in the work to be performed for LAFCO under this Agreement. With no employees, Consultant further acknowledges that he/she is not subject to the Workers' Compensation Act of the State of California. By execution of this Agreement, Consultant hereby agrees to notify LAFCO in writing, prior to hiring any person(s), full time or part time, to assist in this Agreement and to secure workers' compensation insurance prior to any person beginning work or assisting in the performance of work under this Agreement.

3. Minimum Policy Limits Required

- a. The following insurance limits are required for the Agreement:

	Combined Single Limit
Commercial General Liability	\$1,000,000 per occurrence/\$2,000,000 aggregate for bodily injury, personal injury and property damage

4. Evidence Required

- a. Prior to execution of the Agreement, the Consultant shall file with LAFCO evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (ACORD Form 25-S or equivalent). All evidence of insurance shall be signed by a properly authorized officer, agent or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

5. Additional Insurance Provisions

- a. The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by LAFCO, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.
- b. If at any time during the life of the Agreement, the Consultant fails to maintain in full force any insurance required by the Agreement documents LAFCO may terminate the Agreement.
- c. LAFCO may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.
- d. Neither LAFCO, its Board, members of the Board, employees, or authorized volunteers shall be personally responsible for any liability arising under or by virtue of the Agreement.

REGULAR MEMBERS

CHAIR
Donald P. Wagner
County Member

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IMMEDIATE PAST CHAIR
Douglass Davert
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James Fisler
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VACANT
County Member

STAFF

Carolyn Emery
Executive Officer

Scott Smith
General Counsel

MEETING DATE: January 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer
Commission Clerk

SUBJECT: Appointment of 2025 OC LAFCO Officers

BACKGROUND

In accordance with the OC LAFCO Bylaws, the Chair and Vice Chair shall be appointed annually by the Commission majority, and newly appointed officers shall take office immediately. In addition to other duties outlined in the Bylaws, the Chair shall preside at all meetings of the Commission and conduct the business of the Commission pursuant to and in compliance with the Commission procedures. The Chair shall preserve order and decorum at all meetings and decide all questions of order and procedure, subject to the action of the majority of the Commission. In the event of the Chair’s absence, or inability to act as the Chair, the Vice Chair shall have all the powers and duties of the Chair.

For reference, a list of the current and prior year OC LAFCO officers is shown below.

OC LAFCO Officers			
Year	Chair	Vice Chair	Immediate Past Chair
Current	Donald Wagner <i>County Member</i>	Wendy Bucknum <i>City Member</i>	Douglass Davert <i>Special District Member</i>
2023	Douglass Davert <i>Special District Member</i>	Donald Wagner <i>County Member</i>	Derek J. McGregor <i>Public Member</i>
2022	Douglass Davert <i>Special District Member</i>	Donald Wagner <i>County Member</i>	Derek J. McGregor <i>Public Member</i>

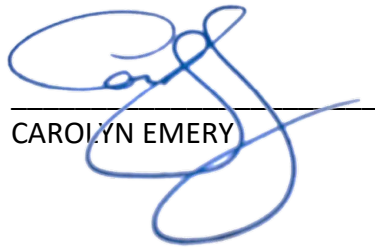
Additionally, the Bylaws indicate that the Executive Committee of the Commission shall be comprised of the current Chair, Vice Chair and Immediate Past Chair. The Executive Committee serves in an advisory role to the full Commission on the agency budgets, strategic and work plans, Public Member selection process and other personnel matters, as warranted.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Appoint a Chair and Vice Chair for 2025.

Respectfully Submitted,



CAROLYN EMERY



CHERYL CARTER-BENJAMIN